

Also, petition of Providence (R. I.) Branch National Association for Advancement of Colored People, against the "Jim Crow" law for District of Columbia; to the Committee on the District of Columbia.

Also, petition of Rev. Charles A. Tukes, Providence, R. I., favoring Hamill civil-service retirement bill; to the Committee on Reform in the Civil Service.

Also, petition of executive committee of the Rhode Island Bar Association relative to a bill to authorize the Supreme Court to prescribe forms and rules and generally to regulate pleading, procedure, and practice on the common-law side of the Federal courts; to the Committee on the Judiciary.

Also, petition of I. W. Waterman, of Providence, R. I., against bill to discontinue issuing of stamped envelopes by the Government; to the Committee on the Post Office and Post Roads.

Also, petition of Providence (R. I.) Central Federated Union, relative to increased cost of flour; to the Committee on Agriculture.

By Mr. PAIGE of Massachusetts: Petition of citizens of Clinton, Mass., favoring House joint resolution 377, forbidding export of arms; to the Committee on Foreign Affairs.

By Mr. RAKER: Petition of William H. Joyce, of Los Angeles, Cal., favoring House joint resolution 344; to the Committee on Agriculture.

Also, petition of O. F. Dorn, of Chicago Park, Cal., favoring House joint resolution 377, to forbid export of arms; to the Committee on Foreign Affairs.

By Mr. ROBERTS of Massachusetts: Evidence in support of House bill 18925; to the Committee on Invalid Pensions.

By Mr. SCOTT: Memorial of numerous citizens of the eleventh district of Iowa, relative to House joint resolution 377 and similar measures; to the Committee on Foreign Affairs.

Also, petition of citizens of Mapleton, Iowa, urging Congress to invite all nations to join us in a world federation for adjustment of international disputes; to the Committee on Foreign Affairs.

Also, petitions of citizens of the State of Iowa, favoring passage of bill to prohibit export of war material; to the Committee on Foreign Affairs.

By Mr. SPARKMAN: Petition of Board of Trade of Miami, Fla., relative to a drainage-aid act; to the Committee on Appropriations.

By Mr. VOLLMER: Petitions of the Hinsdale (Ill.) Liederkranz and 73 American citizens, protesting against the export of war material; to the Committee on Foreign Affairs.

HOUSE OF REPRESENTATIVES.

SATURDAY, February 6, 1915.

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Help us, O God our Father, as the days come and go, to distinguish with more clearness the true and the false, the transient and the eternal, proving all things, holding fast that which is good, and build for ourselves a character which shall stand the test of time and eternity, that we may be worthy of the dignity Thou didst bestow upon us in creating us after Thine own image. And blessing and honor and praise be Thine forever. Amen.

The Journal of the proceedings of yesterday was read and approved.

MUNICIPAL BRIDGE, ST. LOUIS, MO.

Mr. IGOE. Mr. Speaker, I ask to have the bill H. R. 19424, an act to extend the time for the completion of the municipal bridge at St. Louis, Mo., with Senate amendments, taken from the Speaker's table and laid before the House.

The SPEAKER laid the bill before the House, and the Clerk read the title to the bill, also the Senate amendments.

Mr. IGOE. Mr. Speaker, I move that the House concur in the Senate amendments.

The motion was agreed to.

LINCOLN'S BIRTHDAY.

Mr. GOULDEN. Mr. Speaker, I ask unanimous consent that I may address the House for 10 minutes on Friday next, February 12, 1915, on Lincoln's birthday, immediately after the approval of the Journal on the day celebrated.

Mr. UNDERWOOD. Mr. Speaker, reserving the right to object, I stated that I would not agree to any general debate that was not on a bill, but the gentleman from New York, my distinguished and honored colleague, was at the Battle of Gettysburg,

and I think we can make an exception to the rule without establishing a precedent.

Mr. GOULDEN. I thank the gentleman for his kindness and consideration.

The SPEAKER. The gentleman from New York asks unanimous consent that he may address the House for 10 minutes on Lincoln's birthday, February 12, 1915, immediately after the reading of the Journal. Is there objection?

There was no objection.

PERSONAL EXPLANATION.

Mr. RAKER. Mr. Speaker, I want to ask unanimous consent to make a statement for a minute. I was here yesterday afternoon, but on account of sickness in my family I was called out and could not get back in time to vote on the motion to recommit the naval appropriation bill. I returned, but too late to have my vote recorded. If I had been here I would have voted against the motion to recommit.

Mr. MANN. That statement is wholly improper.

The SPEAKER. The statement is out of order.

CONTRABAND OF WAR.

Mr. HARRISON. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by publishing an article which appeared in the Washington Post of yesterday, written by John Bassett Moore, on "Contraband of war."

The SPEAKER. The gentleman from Mississippi asks unanimous consent to extend his remarks in the Record by publishing an article written by John Bassett Moore. Is there objection?

There was no objection.

COLUMBIAN INSTITUTION FOR THE DEAF.

The Speaker laid before the House the following communication:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC LANDS,
Washington, February 5, 1915.

Hon. CHAMP CLARK,

Speaker of the House of Representatives, Washington, D. C.

MY DEAR MR. SPEAKER: I hereby tender my resignation as a director of the Columbian Institution for the Deaf of the District of Columbia, Washington, D. C., said resignation to take effect immediately.

Cordially, yours,

T. W. SIMS.

The resignation was accepted, and the Speaker appointed Mr. RAKER, of California, to fill the vacancy.

SUNDY CIVIL APPROPRIATION BILL.

Mr. FITZGERALD. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 21318, the sundry civil appropriation bill; and pending that motion I desire to ask the gentleman from Massachusetts if we can agree upon a time for general debate.

Mr. GILLETT. I will say to the gentleman that I have had requests on this side for 3 hours and 45 minutes, which I would like to grant.

Mr. FITZGERALD. What does the gentleman say to two hours on a side?

Mr. GILLETT. I do not think that would be a reasonable time; that would not take care of the requests of members of the committee.

Mr. FITZGERALD. Would the gentleman be willing to agree to three hours on a side?

Mr. GILLETT. We will try to get along with that.

Mr. FITZGERALD. Then, Mr. Speaker, I ask unanimous consent that there be six hours of general debate, three hours to be controlled by the gentleman from Massachusetts [Mr. GILLETT] and three hours by myself.

The SPEAKER. Pending the motion, the gentleman from New York asks unanimous consent that general debate on this bill be limited to six hours, one half to be controlled by himself and the other half by the gentleman from Massachusetts [Mr. GILLETT]. Is there objection?

There was no objection.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. CRISP in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the consideration of the bill of which the Clerk will read the title.

The Clerk read as follows:

A bill (H. R. 21318) making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1916, and for other purposes.

Mr. FITZGERALD. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from New York asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

There was no objection.

The CHAIRMAN. Under the order of the House general debate is limited to six hours, one-half to be controlled by the gentleman from New York and one-half by the gentleman from Massachusetts. The gentleman from New York is recognized.

Mr. FITZGERALD. Mr. Chairman, the variety of subjects treated in the sundry civil bill makes it very difficult in a general statement to discuss them within a reasonable time and in an intelligent manner. At this time my remarks will be confined to some general observations, in the hope that the committee will defer until we reach the various items in the bill interrogations regarding them.

The estimates upon which the bill is based aggregate \$137,616,472.89. The appropriations made for similar purposes for the current year aggregate \$130,728,037.39. The bill carries recommendations amounting to \$125,927,538.29. So that the bill as reported is \$11,688,934.60 less than the estimates submitted by the executive and \$4,800,499.10 less than the appropriations for similar purposes for the current year.

Mr. Chairman, this is the fourth time that I have reported the sundry civil appropriation bill as chairman of the Committee on Appropriations. In fact, it is the fifth time, but in one session the bill failed to become a law and was passed in the next session, so in effect the statement that this is the fourth time is accurate.

I wish to submit to the House a statement of what has been done in the consideration of the estimates submitted by the executive for consideration on this bill by the Committee on Appropriations during the four years that I have been at the head of that committee.

For the fiscal years 1913, 1914, 1915, 1916 the estimates submitted for the consideration of the committee aggregated \$553,879,863.79. The bills as reported to the House carried \$456,473,806.63, or \$97,406,057.16 less than the estimates submitted for the consideration of the committee. In other words, during the past four years the Committee on Appropriations have made recommendations in accord with the estimates submitted for consideration in connection with the sundry civil bill of \$97,406,057.16 less than was recommended by the executive.

The following table gives the details for each year:

Sundry civil appropriation bills for the fiscal years 1913, 1914, 1915, and 1916.

[Comparison of the amounts of each as reported to the House, with the total estimates and with the law for the preceding fiscal year.]

Years.	Estimates.	Preceding law.	Reported to House.	Reduction under estimates.	Reduction under law.
1913.....	\$151,991,106.87	\$142,638,044.14	\$109,577,414.40	\$42,413,692.47	\$33,060,629.74
1914.....	138,790,634.98	118,126,982.96	113,271,614.66	25,519,020.32	4,835,368.30
1915.....	125,481,649.05	124,689,948.87	107,696,759.28	17,784,889.77	16,993,189.59
1916.....	137,616,472.89	130,728,037.39	125,928,018.29	11,688,454.60	4,800,019.10
Total.....	553,879,863.79	516,183,013.36	456,473,806.63	97,406,057.16	59,709,206.73

The bills as finally enacted into law, after consideration in the Senate and the final adjustment of differences, were \$59,709,000 less than the estimates submitted to Congress. So that if the appropriations had been based upon the recommendations of the executive departments, as expressed in their estimates in the sundry civil appropriation bill, the bills would have carried, on an average, \$15,000,000 additional during each of the four years to which I have referred.

I make that statement at this time, Mr. Chairman, because I have seen some statements in the press from men formerly and at present connected with the administrative departments of the Government openly criticizing Congress for not acceding to every demand for money made upon it by the executive departments. There is a school of political thought in this country which seems to profess that whatever the recommendations of the executive departments, whatever of demands made upon the public purse or otherwise, that the sole function of Congress is to acquiesce in the requests, regardless of the obligation of the Members of Congress under the Constitution to safeguard the Treasury from the rapacity of those administering the public service. Based upon an experience of 16 years in this House, all of which time has been devoted to the assiduous work of studying Governmental finances, 10 years of which have been spent upon the Committee on Appropriations, I undertake to say that in any administration, if the requests of the executive officials upon the public purse were

acceded to without a strong, vigorous, and alert opposition on the part of the representatives of the people, the United States, great and prosperous as it is, with its enormous resources and unlimited wealth, would speedily become first among the bankrupt nations of the civilized world. No more patriotic duty devolves upon those serving in this House than to examine with the utmost care the recommendations for money of the various administrative departments of the Government and the exercise of sound and reasonable judgment in passing upon such requests. That Congress has acted in a sound, wise, and reasonable manner is evident from the fact that although \$59,000,000 recommended for the various services provided in such bills within a period of four years have been denied to the executive departments, not a single legitimate interest of the public service, not a single legitimate material interest of the people of the United States has been in the slightest degree affected by the failure to expend the money thus requested by the departments.

Mr. Chairman, the sum of \$137,616,472.89, the estimates considered in the committee in the preparation of the bill, consists of \$111,108,822.96 submitted in the regular Book of Estimates at the beginning of Congress, as required by law, and \$21,631,649.93 subsequently presented to the House in the form of supplemental estimates.

For the first time this bill carries provision for the Reclamation Service. The appropriations recommended are payable wholly out of the reclamation fund. The estimates submitted aggregated \$14,776,000. The committee recommends appropriations aggregating \$13,430,000, a reduction of \$1,346,000. In reaching the conclusions as to the amounts to be recommended for the Reclamation Service the object of the committee was to provide such funds for the various projects under consideration as would enable the Reclamation Service to carry on during the next fiscal year the essential work contemplated. While there has been a reduction of \$1,346,000 in the amounts recommended, every member of the committee who has examined the subject is convinced that ample provision has been made, so that there will not be any embarrassment to the service. Omitting from our calculations all reference to the Reclamation Service, the bill is \$9,067,000 less than the estimates and \$1,920,000 less than the appropriations for the current year.

Mr. Chairman, at this session of Congress the appropriation bills, from the standpoint of this House, are in a condition of progress toward enactment more favorable perhaps than at any time in many years. This bill has been reported earlier than any bill of similar character during any of the short sessions since 1903. In 1903 the bill was reported a day or two earlier than the bill now under consideration. The consideration of the bill was commenced several weeks earlier by the committee than it had been possible to consider it heretofore, due entirely to the fact that the estimates were obtainable for consideration at an earlier period this year than heretofore. I have a statement which shows the dates upon which the various appropriation bills were reported during the short sessions of the Fifty-eighth, the Fifty-ninth, the Sixtieth, the Sixty-first, the Sixty-second, and the Sixty-third Congresses, which I shall insert in the RECORD for the information of the House.

Date of reporting to the House the regular appropriation bills at the short sessions of the Fifty-eighth, Fifty-ninth, Sixtieth, Sixty-first, Sixty-second, and Sixty-third Congresses.

	Fifty-eighth Congress.	Fifty-ninth Congress.	Sixtieth Congress.	Sixty-first Congress.	Sixty-second Congress.	Sixty-third Congress.
Agriculture.....	Jan. 25	Jan. 23	Jan. 25	Jan. 17	Jan. 20	Dec. 30
Army.....	Jan. 10	Jan. 7	Jan. 21	Jan. 12	Jan. 10	Dec. 29
Diplomatic and Consular.....	Jan. 28	Jan. 18	Feb. 2	Feb. 20	Feb. 3	Jan. 26
District of Columbia.....	Jan. 21	Jan. 14	Jan. 6	Jan. 21	Jan. 29	Dec. 7
Fortification.....	Jan. 5	Jan. 9	Jan. 25	Feb. 20	Jan. 17	Dec. 13
Indian.....	Jan. 10	Dec. 15	Jan. 22	Dec. 7	Dec. 7	Dec. 14
Legislative, etc.....	Dec. 7	Dec. 7	Dec. 10	Dec. 14	Dec. 4	Feb. 5
Military Academy.....	Jan. 19	Jan. 18	Feb. 11	Feb. 3	Feb. 8	Jan. 16
Navy.....	Jan. 28	Jan. 27	Jan. 16	Jan. 28	Feb. 20	Jan. 16
Pension.....	Jan. 9	Jan. 21	Jan. 13	Dec. 12	Feb. 11	Jan. 25
Post Office.....	Jan. 17	Feb. 6	Jan. 15	Jan. 16	Dec. 12	Dec. 14
River and harbor.....	Feb. 6	Jan. 26	Feb. 19	Dec. 9	Jan. 16	Dec. 19
Sundry civil.....	Feb. 14	Feb. 19	do	Feb. 23	Feb. 17	Feb. 4

Mr. MANN. Mr. Chairman, will the gentleman yield for a question?

Mr. FITZGERALD. Yes.

Mr. MANN. Just what did the gentleman mean by the estimates being ready earlier than usual? I understood the gentleman to say that the consideration of this bill in committee was commenced earlier solely by reason of the fact that the estimates were submitted earlier. I do not understand that.

Mr. FITZGERALD. They were available earlier. The law requires the estimates to be transmitted to Congress at the opening of each regular session. That has not always been done.

Mr. MANN. When was the Book of Estimates printed this year—any earlier than usual?

Mr. FITZGERALD. No; it was not printed any earlier; but the committee obtains in advance copies of the estimates for the purpose of its work. My recollection is that, in my experience, this is the first time it has been possible to get the estimates so as to print them and put them in shape for the sundry civil appropriation bill prior to the Christmas holidays.

Mr. MANN. The estimates were printed in book form long before that, were they not?

Mr. FITZGERALD. They may have been printed in book form; yes.

Mr. MANN. I had a copy of them long before that, in any event, though I guess the committee did not know it.

Mr. FITZGERALD. After the estimates are printed in book form it takes some time to arrange them so as to make them available for use in the committee. The Agricultural bill was reported on the 30th of December, the Army bill on the 29th of December, the Diplomatic bill on the 26th of January, the District of Columbia bill on the 7th of December, the Indian bill on the 18th of December, the legislative bill on the 14th of December, the Military Academy bill on the 5th of February, the naval bill on the 16th of January, the pension bill on the 25th of January, the Post Office bill on the 14th of December, the river and harbor bill on the 19th of December, the sundry civil bill on the 4th of February. Seven of the appropriation bills were reported in the month of December. Including the urgent deficiency, three appropriation bills passed the House before Christmas and one other before December 31. I am making this statement to emphasize an opinion expressed then which I discussed quite elaborately on the 24th day of June, 1913—the proposition to establish a committee on estimates and appropriations, the purpose of which was to determine how much each of the annual appropriation bills might carry. The proposed plan contemplated the adoption of a resolution by the House limiting the power of committees to include appropriations in the bills in excess of the amounts fixed in the resolution. I said at that time:

Mr. Chairman, in a short session of Congress the plan can not possibly work. At the last session I had the subcommittee in charge of the legislative, executive, and judicial appropriation bill meet before Congress convened.

The same thing is true as to this session of Congress. Two of the subcommittees of the Committee on Appropriations met prior to the first Monday of December, and the Committee on Appropriations itself convened before the Congress assembled, so that when Congress met, on its opening day the committee reported the District of Columbia appropriation bill and had completed the hearings and most of the marking up on the legislative appropriation bill. If the committees had had to wait until some other committee had had to determine how much could have been incorporated in these bills, and until a resolution had been considered by the House and adopted determining the amount that could have been carried, instead of passing these bills as rapidly before the holidays as was done, the committees would have had to wait until the House had determined the amounts to which the bills should be limited before the bills could have been prepared.

In connection with the bill now under consideration, the estimates submitted in the regular Book of Estimates aggregated \$111,108,822.26, and since the submission of the regular Book of Estimates other estimates that had to be considered in connection with this bill were submitted aggregating \$21,631,649.93. A very considerable portion of this latter sum was submitted upon the very eve of the report of the bill to the House. Moreover, estimates were transmitted to the House yesterday of items for consideration in connection with this bill aggregating nearly \$200,000.

These facts demonstrate conclusively the impossibility of any living man determining on the first day or in the first week of December with any degree of accurate approximation how much could justly be recommended to the House to be included in this bill. I undertake to say that until the work of making the detailed examination that is necessary on the part of committees is concluded it is impossible to tell with any degree of accuracy how much a bill should or should not carry.

Mr. MANN. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. MANN. Suppose there was a committee appointed to make a distribution of the limits of appropriations between the various appropriation committees. With the pressure that

would be brought to bear, would it, in the gentleman's opinion, be almost inevitable that that committee would distribute among the various appropriation committees either the total estimated receipts of the Government for the ensuing fiscal year or an amount equal to the appropriations for the current year, and thereby make a distribution of all that would be available, without regard to subsequent estimates and without regard to Senate amendments?

Mr. FITZGERALD. It is difficult to tell just what would happen. In the speech to which I have heretofore referred I discussed that phase of the situation. I am convinced, however, that it is impossible from the standpoint of the House for any man to tell in advance what the total of any particular bill should be, excepting such a bill as the river and harbor bill, where it could first be determined to spend a certain sum for rivers and harbors and then distribute it among a number of projects; but for a bill that has to do with the current services of the Government it is impossible to do so.

Mr. MANN. I quite agree with the gentleman—

Mr. FITZGERALD. For instance, to illustrate in connection with this bill, the estimate for carrying on the work of the Alaska railroads was transmitted to the House about 10 days ago. It was an estimate of \$2,000,000, and that sum is incorporated in this bill. No one could have known in December that that estimate was to be transmitted. At the time the estimates were transmitted in the regular Book of Estimates, the estimate for the construction of public buildings consisted of a request that legislation be enacted making one fund of all the appropriations which have heretofore been made for specific buildings, and appropriating in addition \$3,000,000. Of course as soon as it was ascertained that that had been done, it was apparent that the Committee on Appropriations would be guilty of hara-kiri if it made such a recommendation to the House. The committee insisted that the Treasury Department submit detailed estimates for the sums desired for public buildings. The result was that supplemental estimates aggregating over \$12,000,000 were transmitted to the House. My recollection is that the estimates for the continuation of the work of the physical valuation of railroads, aggregating \$3,000,000, were submitted subsequent to the estimates contained in the Book of Estimates. Gentlemen can readily see that anyone who early in December attempted to determine how much should be carried in this bill for the public service would have missed his guess, no matter how intelligent or well informed he might have been, by over \$15,000,000.

Mr. MANN. I quite agree with the gentleman. I think we had an illustration yesterday of what the effect would be of the proposition to distribute, to begin with, a certain amount of money between the different committees. Inevitably, if the estimated receipts were distributed in advance among the different committees, the chairman of the Naval Committee, for illustration, like any other chairman, would fight for the amount that he thought ought to be appropriated for the Naval Committee, and if that amount had been allowed, at the amount that was reported in the bill yesterday, it would be impossible to reduce it on the floor, because it would be said, "That amount is set aside for naval affairs."

Mr. FITZGERALD. And it would have been done by resolution of the House.

Mr. MANN. It would have been said, "You can not add this amount to the apportionment of any other committee, hence we will appropriate it for the Naval Committee"; and the House would be, not theoretically but practically, powerless to reduce the amount carried in the bill.

Mr. FITZGERALD. Then there is another matter that has attracted my attention. I notice that the position in which the chairmen of other committees find themselves differs materially from the situation which confronts the chairman of the Committee on Appropriations. My contests in this House are to prevent the House from increasing the appropriations carried in the bill. The troubles or labors of the chairmen of other committees have been to persuade the House not to reduce the appropriations as recommended by their committees.

Mr. UNDERWOOD. Will the gentleman yield to me a moment?

Mr. FITZGERALD. Certainly.

Mr. UNDERWOOD. I am very much interested in the discussion that the gentleman is now delivering to the House, and I want to compliment the gentleman from New York by the statement that among all the men in this House I do not think there is any one man who has endeavored as much as the gentleman from New York has to hold down public expenditures within reasonable limits. [Applause.] But I hope the gentleman from New York is not taking the position at this time that some method can not be devised by which this

House can centralize the control of appropriations and limit public expenditures. With very few exceptions, there has hardly been a case where any executive in the world has attempted to limit the expenditures of public money or to decrease the burdens of the taxation. You may find an exception here and there, but the exception only proves the rule. It is rarely the case that any body of men in a legislative capacity, except those who hold their commissions directly from the people, are willing to cut down public expenditures. On the other hand, the reckless expenditure of the public money has always been a cancer that in the end destroyed republics. Of course we are far from that place to-day, but unless this House is willing to take action by which we can centralize the control of these appropriations and limit expenditures within reasonable amounts and cut out the reckless extravagances that sometimes are found in appropriation bills I can see no place where the increased burdens of taxation on the American people are going to stop. [Applause.] And I know of no man in this House who is more capable and competent to lead the fight to establish permanent economy on a safe and sound basis than the gentleman from New York. [Applause.] I expect to leave the field here, but I hope that the gentleman from New York in the future will bring his great powers toward accomplishing this good result for the benefit of his country. [Applause.]

Mr. MADDEN. Will the gentleman yield to me?

Mr. FITZGERALD. Yes; I yield to the gentleman.

Mr. MADDEN. I think with the gentleman from Alabama that the gentleman from New York has displayed great ability and great genius in the field in which he has been legislatively engaged. I think he ought to be encouraged in that work by the Members of the House generally. Now, my notion of how you can regulate the expenditures of public money is this: Control of expenditures should be given to one committee. It may be it ought to be a joint committee of the House and the Senate, and this committee ought to be in session all the year around. It ought to have the power to go to the departments and investigate the expenditures, and the members of such a committee ought to be paid compensation commensurate with the sacrifice they would have to make; but to delegate the power to any single given committee to control the appropriations of the Congress to meet the needs of the Nation and only permit them to be employed during the sessions of Congress would make the work so onerous that no committee could do it. I would select the best men who can be found in both branches of the Congress, regardless of how long they had served in either House, men qualified to regulate the control of governmental expenditures, and then charge them with the responsibility of remaining at their work every day in the year and pay them for the service they render. When you do that you will be able to control the expenditures and keep them within reasonable bounds and save the people from the burden of overtaxation, and you can not do it in any other way. [Applause.]

Mr. FITZGERALD. Mr. Chairman, I appreciate what both gentlemen have said about myself. I do not wish to be understood as expressing a belief that it is not possible to devise some way to improve our present condition. Perhaps I was indulging in the very human failing of trying to justify a prophecy I made as to the result that would follow certain actions. I believe the expenditures of the Federal Government can be put on a proper basis, and I know they must be put on a different basis if the country is not to rise up and retire every Member of Congress to private life. So long as our revenues were not obtained by direct taxation, but came from indirect taxation, it made very little difference. Everyone believed that some one else was paying the taxes. But now the people are thinking, as they have not done in years, upon the question of taxation. They are now paying direct taxes to the Federal Government. In my State and in my city the question of taxation is to-day a burning question. A direct tax is to be levied by the State.

The city of New York must contribute, I imagine, about \$15,000,000 of this direct tax to the payment of the expenses of the State. There has been under consideration by the officials of the city of New York every conceivable form of taxation in order to obtain revenue. Taxation on occupation of residences, taxation for engaging in any particular business, taxation upon the man who works and upon the man who is idle. It makes no difference in what particular condition of life he happens to find himself, some one seems to suggest a form of direct taxation to reach his peculiar condition. When the knowledge of the suggestions became public, the threatened uprising was such that consideration has been indefinitely postponed. Throughout the country the cost of government is increasing at a rate far out of proportion to the increase of

population and wealth. Some one must concentrate his efforts to the task of lessening the burdens of the taxpayers. Unfortunately I appear to belong to a very old-fashioned and unpopular and out-of-date school of public finance. It is not the mode to follow the school of public finance in which I have been educated. I believe that the Government should not do those things that private enterprise can do satisfactorily. I do not believe that the Federal Government or the State government or the local government should engage in every conceivable form of activity in response to every whim of every organization or of every class or of everybody who believes it is desirable that certain things be done and appeal to the Government to do them, as it seems to be easier to obtain public funds than have sensible men devote their own resources to many things for which there is public clamor. If we restrict the activities of government to those functions that legitimately should be performed by the Government, it would eliminate a vast portion of the excessive expenditures of the Government. Until something along such lines is attempted, it is useless to think of curtailing the gross expenses of government. If we do not wish to stop our activities along any particular line, but continuously seek out and encourage the Government in entering upon new activities in order to placate or to please or to mollify some particular group or party or band or interest, then we simply keep piling up the available means to absorb the revenues. The people are coming to realize that the Treasury is not replenished by money that falls like manna from the heavens, but that every dollar that is expended by the government—Federal, State, or local—means a dollar collected from the pockets of the people.

When the burdens finally become so great as to be intolerable then the inevitable uprising will take place. One thing that is essential to accomplish in this body—and it will be done some day—is to deprive the individual Member of Congress of the right to initiate expenditures. I believe that if nothing else ever had been accomplished as a result of the war between the North and the South than one suggestion which originated in the constitution of the Confederate States which will yet bear fruit of immense value to the people of the United States, the war would not have been in vain. The Confederate constitution had a provision which prohibited the Confederate Congress from appropriating money for any purpose except by a two-thirds vote of both houses, unless estimated for by the head of a department and submitted by the President, or be asked for the payment of its own expenses or of claims against the Confederacy declared by a judicial tribunal to be just. Take away from the Members of this House the right to initiate expenditures and they will examine and scrutinize and take care that no unsound or improper estimate originating in a department is rewarded by an appropriation.

Mr. COX. Will the gentleman yield for a question?

Mr. FITZGERALD. I yield to the gentleman.

Mr. COX. What would the gentleman think of the proposition of amending the rules of the House so as to prevent any Member from increasing an appropriation over that reported by the committee?

Mr. FITZGERALD. I would not favor such a rule. I would not give to a committee of the House any power that the House itself was denied. If it were proposed to deny the committees and the House the power to appropriate in excess of an estimate from a department, it would be a different matter. But I doubt whether we would be justified in providing that a committee could determine the maximum amount to be appropriated, and that the House, which creates the committee, could not revise its action.

Mr. COX. That is the rule, I will state to the gentleman, in the House of Commons.

Mr. FITZGERALD. No; not exactly. The rule in the House of Commons prohibits a grant in excess of that requested or for a purpose not requested by the Crown. Of course, the budget is submitted by the Government, consisting largely of members of the two houses.

Mr. COX. If I am not mistaken, in reading this matter up—

Mr. FITZGERALD. I think I have the rule here.

Mr. COX (continuing). They have a rule in Parliament which prohibits any member from offering an amendment which proposes to increase the appropriation provided for by the budget; but, at the same time, it permits any member of Parliament to offer an amendment proposing to reduce an appropriation.

Mr. FITZGERALD. They can reduce it.

Mr. MONTAGUE. Mr. Chairman, I want to understand the suggestion of the gentleman from Indiana [Mr. Cox].

The CHAIRMAN. Does the gentleman from Indiana yield to the gentleman from Virginia?

Mr. COX. Yes.

Mr. MONTAGUE. What was it?

Mr. COX. My suggestion was this, although I may be in error, but I looked this question up a year or so ago—that the rules of the English Parliament prohibit a member of Parliament from offering an amendment that proposes to increase an appropriation, but does permit him to offer an amendment that tends to reduce the appropriation.

Mr. MONTAGUE. But that was not the gentleman's first suggestion.

Mr. COX. The question first was what he thought of altering the rules of the House so as to prevent a Member of the House from offering an appropriation over that submitted by the committee.

Mr. MONTAGUE. In order to be logical, why should not the gentleman suggest that when that matter is to be so disposed of no Member save those on this committee should be in the House?

Mr. COX. The gentleman from New York has well expressed it. His trouble in this House heretofore has been to persuade the House to stand by the committee. I have seen the House run over him time and time again, although I have not done so myself.

Mr. FITZGERALD. The rule of the House of Commons, dating back to 1713, is:

This House will receive no petition for any sum relating to public service or proceed upon any motion for a grant or charge upon the public revenue * * * unless recommended by the Crown.

One way of testing whether a particular member of the Government has the confidence of the House is by voting to strike out a proposed grant in the supply bill. If it be on an important matter and the motion is carried, it is usually followed by the resignation of that member of the Government.

Mr. PARKER of New Jersey. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from New York yield to the gentleman from New Jersey?

Mr. FITZGERALD. I do.

Mr. PARKER of New Jersey. Will the gentleman permit me to say that he has just indicated what I was about to suggest, that the real control in England and the British Parliament is that if the House votes against the ministry it resigns, just exactly as the committee here should say that if its estimates were substantially increased or reduced by the House they would think their functions no longer useful and they would no longer serve as such committee. That is the way they manage it in the House of Commons.

Mr. FITZGERALD. That provision evidently has a whole-some effect in the preparation of estimates, because it is very rarely now that the requests are of such a character as to compel the resignation of any member of the Government.

Mr. GARNER. If you had such a rule in this country, where a department of the Government submitted an estimate and Congress refused to grant the estimate, and they would resign, there would be some resignations submitted.

Mr. FITZGERALD. There would be chaos if there was any such rule here.

Mr. MARTIN. The gentleman has referred to a provision in the constitution of the Confederacy which, if I understood him correctly, prohibited the initiation of items of appropriations in the house and confined the power and action of the house and its membership upon the items recommended by the executive or executive departments, except by two-thirds vote. Do I understand the gentleman to speak in favor of a proposition of that kind as applied to the Government service?

Mr. FITZGERALD. I believe that it would be desirable, and I believe that the time will come when such provision must be adopted and the individual Member of Congress deprived of the right of initiative in the expenditure of public funds.

Mr. MARTIN. There are a great many of us who think the tendency to the exercise of power in the executive is too great under the present system and arrangement, and that it would be in the interest of better legislation if more responsibility were placed upon the legislative branch of the Government and less upon the executive branch, not only as to appropriation matters, but as to miscellaneous matters of legislation.

Mr. BATHRICK. Will the gentleman yield?

Mr. FITZGERALD. What I have in mind, Mr. Chairman, is that in the expending of public moneys it is rarely that any department of the Government fails to ask for less than is required to maintain the public service. The experience of the Federal Government is that the recommendations of the departments for money, except in the rarest and most exceptional cases, are in excess of what is legitimately required to perform

the functions devolving upon the service. So that the trouble to be faced does not come because the executive fails to ask for sufficient money, but it comes from a combination of individuals interested in particular matters insisting upon lavish appropriations.

Mr. MONTAGUE. Will the gentleman yield?

Mr. FITZGERALD. In just a moment. It comes from a combination of individuals originating schemes for expending public money, regardless of the opinion of those who are administering the public service.

Now I yield to the gentleman from Ohio [Mr. BATHRICK].

Mr. BATHRICK. If you would deprive the Members of the House of Representatives of the power of initiating appropriations—is that what I understand the gentleman to contend for?

Mr. FITZGERALD. For the conduct of the public service.

Mr. BATHRICK. Well, does the gentleman mean to say that he would deprive the Members of the power of originating appropriations on bills that they might introduce that would require money to carry them out?

Mr. FITZGERALD. Yes. I would let Congress authorize certain things. Then whatever sums the Executive believed were desirable to carry them out, let the Executive ask for them. The responsibility for the policy of asking or refusing to ask for funds would fall on the administration.

Mr. BATHRICK. Now, then, if a man were to introduce a bill to give a soldier a pension, if the Executive authority did not want him to have it or did not recommend it, he could not get it. Is that what I understand the gentleman would suggest?

Mr. FITZGERALD. I have not gone into details, but I believe that such a situation would be desirable. I should like an administration to be put in a position where it would be compelled to take the responsibility and not to distribute or to share it among over 400 Members of this body and nearly 100 in the other body. I should be glad to have some one upon whom the responsibility could be centered to say, for example, that John Jones, on his record and under all the circumstances, ought to be pensioned in spite of the fact that under the general law he is not eligible. It would quickly be ascertained under such circumstances whether any of the criticisms, just or unjust, are well founded that the pension rolls are improperly padded.

Mr. BATHRICK. Then a Member could not introduce a bill for any purpose to inaugurate the expenditure of money?

Mr. FITZGERALD. I did not take such a position. It is really afar, however, from what I intended to discuss. I said that I believed that the time would come when the power to initiate appropriations of money from the Federal Treasury for the conduct of the Federal Government must be taken from the individual. I do not expect it to be done during my service in Congress nor during the term of the gentleman from Ohio, but I believe it is inevitable some time, if the Federal Government is not to break down with the weight of expenditures.

Mr. MONTAGUE. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from New York yield to the gentleman from Virginia?

Mr. FITZGERALD. Yes.

Mr. MONTAGUE. I have not been able to hear all the interesting observations of the gentleman, but I wish to ask whether or not he has commented this morning in any of his remarks on the right of a President to veto individual items in an appropriation bill?

Mr. FITZGERALD. There was a time when I thought it might be a good thing for the Federal Government. In an indirect way I became somewhat familiar with the manner in which the supply and appropriation bills were considered during a certain period in the history of the State of New York. I found that the chairman of the committee on ways and means, in the assembly, and the chairman of the committee on finance, in the senate, and the governor got together and determined among themselves how much money has to be expended, and then they determined the particular items that the man responsible in the house would block, and the items that the chairman of the committee on finance would eliminate, and the ones to be left in the bill to be vetoed by the governor, because it would be embarrassing to either of the other two men to antagonize them. In view of the history of the Anglo-Saxon people, and of what has happened in my own experience in this House, I am not certain but that the right to coerce the Executive by obtaining legislation through a refusal to grant supplies is of so tremendous value and importance to the Representatives of the people that that change should not be made in the Federal Constitution.

But I do not wish to go into that subject. I have spoken a great deal longer than I had intended. I wished to refer briefly to one particular subject, and I have been led far astray.

Mr. GARNER. Mr. Chairman, will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. GARNER. I wanted to refer to what the gentleman had in mind. I am like the gentleman from Virginia [Mr. MONTAGUE], in that I did not have the pleasure of hearing the entire remarks of the gentleman from New York; but, as I understand, he believes that the time will come, even if it is not advisable at this moment, when the Congress should not be allowed to make an appropriation except where the executive branch of the Government deems it advisable, and that the Congress would only authorize an appropriation and then leave it to the discretion of the Executive as to whether the Executive would utilize that or not?

Mr. FITZGERALD. That is true now. The administration need not now spend the money appropriated.

Mr. GARNER. I understand that; and if the executive department of the Government fails to exercise the authority conferred by Congress, and the Congress in the face of the failure of the Executive authority to exercise that power declared its opinion otherwise, should not the Executive then resign, so that the Congress might have in executive authority some agency that would obey its commands?

Mr. FITZGERALD. That would involve too many substantial changes in our organic law. The suggestions I make would not.

Mr. GARNER. I do not think the gentleman from New York would take the position that the Congress ought not to preserve the right to represent and execute the wishes of the American people, and if it were a question of want of confidence in the Executive, in whose hands authority was vested to make the appropriation, I think the Executive ought to resign.

Mr. FITZGERALD. That is treating a phase of the subject that I do not think is imperative, because, as I said—although the gentleman, perhaps, may not have heard me—that we are not troubled with the failure of the executive departments to ask for sufficient money for the conduct of the Government service. It is the rarest and most exceptional situation to find anyone not asking more than is needed.

Mr. GARNER. But under any conditions I assume the gentleman from New York would not undertake to take away from the Congress the right to speak as the representatives of the people?

Mr. FITZGERALD. I will agree with that broad statement.

Mr. GARNER. And if any member of the executive branch of the Government which was not responsive to the wishes of the people should refuse to carry out the judgment of Congress, it seems to me the rule ought to apply where he would disconnect himself from the service of the Government.

Mr. FITZGERALD. I hope the time will not come when the representatives of the people will try to force money upon an unwilling Executive. [Laughter.] I know it has been pretended that that situation has existed, but it is rarely that the administrative officials have not accommodated themselves to the situation and expended the money as graciously as possible. [Laughter.]

Mr. KAHN. Mr. Chairman, will the gentleman yield there?

The CHAIRMAN. Does the gentleman from New York yield to the gentleman from California?

Mr. FITZGERALD. Yes; I will yield. Then I wish to conclude.

Mr. KAHN. I have listened with a great deal of interest to the remarks of the gentleman. Has the gentleman ever considered a proposition of this kind—getting the chairmen of all the great appropriating committees of the House together, and also the ranking minority members of the various appropriating committees, at the beginning of the session, with a view to going over the estimates and seeing what can be done by each committee, so that all the committees shall work in absolute harmony?

Mr. FITZGERALD. Well, I discussed at some length at the beginning something that would apply to that suggestion. I pointed out the fact that at the beginning of this session of Congress the estimates submitted for consideration in connection with this bill amounted to \$111,000,000. Since that time estimates for \$21,000,000 additional have been submitted, and the man never lived who could tell at the opening of the session of Congress with any degree of approximate accuracy how much this bill ought to carry; and if we should distribute the revenues at the opening of a session, and if we should be living in a time when the Treasury is in a less plethoric condition than it is at present, the result would be very unfortunate.

Mr. KAHN. But could not such a combination of chairmen of committees act, even upon the additional estimates that are sent in, so that the various committees would all discuss the matter and arrive at some common ground?

Mr. FITZGERALD. An attempt was made to do something along such line, I believe, in the last session or the session before that one. The chairmen of the various committees evinced such inability to make reductions in the proposed expenditures that the meeting broke up and was never reconvened.

Mr. MARTIN. Will the gentleman yield?

Mr. FITZGERALD. I will yield for one more question, and then I wish to finish.

Mr. MARTIN. I was very much impressed with the statement of the gentleman, now repeated, that the estimates from the departments for the last four years as to this sundry civil bill have been something like \$97,000,000 in excess of what the committee has allowed or recommended.

Mr. FITZGERALD. Yes.

Mr. MARTIN. Does not that suggest to the gentleman that the relief for extravagant expenditures will probably not be found by increasing the power of initiative in the executive department of the Government, but must be found in some real economy in the legislative branch?

Mr. FITZGERALD. I have stated the reasons why I believe what I have suggested would work out desirably, that if we take from the individual the right to initiate appropriations, he will then become much more keenly interested in the particular things the departments believe they should have, and will exercise an independence and a scrutiny that otherwise, I believe, is not exercised. At any rate, the experience of mankind is that a popular body will never economize by refusing to appropriate money for the things they think are popular with the people upon whose determination their official lives depend.

Mr. BURKE of South Dakota. Before the gentleman concludes, will he permit me to make a suggestion and ask him a question?

Mr. FITZGERALD. Certainly.

Mr. BURKE of South Dakota. Mr. Chairman, I appreciate what has been said by the distinguished chairman of the Committee on Appropriations, and recognize his great ability and his long experience in dealing with appropriations; he is not excelled by anyone in the House, either in his knowledge of the subject, his ability or experience, and he is equaled only by the distinguished gentleman from Massachusetts [Mr. GILLET]. I want to ask the gentleman if what he has said generally, with reference to reforms in appropriations, applies only to the preparation and passage of bills in the House of Representatives? The gentleman has undoubtedly guided through this House many appropriation bills that he believed were as near accurate and correct as it was possible to make them; and yet when they became laws, the amounts carried had been very materially increased over the amounts carried in the bills when they left the House, and that is usually what happens to every appropriation bill after it passes the House. Now, assuming that there be a system adopted in the House dealing with appropriations along the lines suggested by the gentleman, and others who have discussed the subject, that have given the subject thought and study, how would you obviate the difficulty that we now have in controlling the limit of appropriations?

Mr. FITZGERALD. I did not mean that such a limitation should apply to the Members of this body alone. I meant that that limitation upon the rights of Members must apply to the Members of the two bodies. I do not believe that this House should ever be circumscribed or limited while the other House is free.

Mr. MANN. Mr. Chairman, will the gentleman yield for just one observation? It will be very short.

Mr. FITZGERALD. Yes.

Mr. MANN. I understood the gentleman in a way to advocate the proposition that no appropriation should be allowed to go through the House which had not been estimated for unless it had received a two-thirds vote.

Mr. FITZGERALD. I referred to that provision in the Confederate constitution.

Mr. MANN. Of course the gentleman is correct, but that might be the outcome in the end. I should just like to suggest in that connection that that would be turning over practically not only appropriations but legislation to a minority in the House, because most legislation carries with it an appropriation, and a great deal of the most important legislation carries a slight appropriation in the legislative bill; and under that rule you would always have to go and find out from the minority whether they would allow the legislation to be enacted. Of course that would be in favor of the gentleman's party hereafter [laughter], but I am sure he does not advocate it as a partisan proposition.

Mr. FITZGERALD. Mr. Chairman, I have occupied more time than I intended to occupy.

Mr. STEPHENS of Texas. Will the gentleman yield for a question?

Mr. FITZGERALD. Yes.

Mr. STEPHENS of Texas. I see on the second page of the report you have made this statement:

Omitting from consideration all sums having to do with the Reclamation Service and irrigation of Indian lands that are involved in the estimates for 1916, appropriations for the current year, and total amount recommended in the accompanying bill the following results are shown:

The bill as a whole, exclusive of the Reclamation Service, makes a reduction in the estimates of \$9,067,746.67 and a reduction under the appropriations for the current year of \$1,920,999.10.

Additional to the foregoing amounts for the Reclamation Service the further sum of \$1,275,187.93, submitted in House Document No. 1481, for irrigation works on certain Indian reservations, was referred to and considered by the committee without favorable action.

I desire to know from the gentleman whether that was because his committee did not consider that they had jurisdiction of this matter and that it belonged to some other committee, or was it on the merits of the appropriation?

Mr. FITZGERALD. The committee felt that the irrigation projects on Indian reservations were matters that had been considered by the Committee on Indian Affairs, and that we should not enter into those matters.

Mr. STEPHENS of Texas. That was the information I desired from the gentleman. I saw that the department had referred it to the gentleman's committee, and we desired to know the reason why it was not passed upon by that committee, so that we could govern ourselves accordingly.

Mr. FITZGERALD. They sent it to the Committee on Appropriations because the Indian bill had passed the House, but we did not feel that that was a sufficient reason to justify us in taking up those matters.

Mr. STEPHENS of Texas. That is correct.

Mr. FITZGERALD. Mr. Chairman, I have been led into a not very profound but a somewhat more or less interesting discussion of some matters not contemplated to be discussed when I rose. A very beneficial purpose will have been accomplished, however, if what has been said here to-day will stimulate the thought of Members and the interest of the people generally in the question of public expenditures. Nothing will be more pressing in the very near future than the financial problems of the United States. The sooner Members begin to think of them and what must be done, regardless of any party consideration or questions of party policy, the better it will be for the welfare and the prosperity of the American people.

Mr. GILLET. Will the gentleman yield?

Mr. FITZGERALD. I will.

Mr. GILLET. I respect the request of the gentleman from New York not to be interrogated about details, but I would like to ask him whether he does not think this bill could be materially reduced without seriously embarrassing the operations of the Government.

Mr. FITZGERALD. I should not like to make that admission. So that that remark may not be misinterpreted, let me say that I believe that provisions are made in the bill for some purposes that could be deferred if it were essential without particularly impairing the public service, but I do not believe that the temper of the country or of the Congress desires that those things be deferred. I do not believe that the Committee on Appropriations would be justified in withholding appropriations for such objects in view of the known sentiment of the House.

Mr. GILLET. One other question. I know it has always been the custom of the gentleman from New York to discuss on appropriation bills—and this is the last one of the large ones from our committee—the condition of the Treasury. May I ask the gentleman why he has omitted that?

Mr. FITZGERALD. The gentleman from Massachusetts knows that I have been very busy considering and preparing the sundry civil bill. Not taking into account the time that was devoted to hearings on the Isthmus of Panama, the committee commenced the hearings of the civil-service appropriation bill on the 16th of December, and has continued them during the holidays and continually until within a day or two. I might say that I have been busily occupied in attempting to keep within reasonable limits the amount that shall be expended from the Public Treasury by authorizations in this bill. It has been difficult for me to make that searching analysis of possible accessions to the revenue which I should like to have made for such a discussion as the gentleman suggests. There is about a month left, however, and if any public emergency should arise and I should imagine that any observations by myself would be of any particular interest to anyone or of any benefit to the country, I may attempt to discuss our financial condition; and if I do, I shall do as I have always done—I shall give the House the benefit of my unbiased opinion and my

best judgment. I hope my views will be in harmony with the convictions of the Members, and will be neither alarming nor distressing to them nor to the country. [Applause.] Mr. Chairman, I reserve the balance of my time.

Mr. GILLET. Mr. Chairman, the reply of the gentleman from New York to my question asking why he had omitted his usual discussion of the condition of the Treasury was not very frank or illuminating. I had anticipated with much curiosity and interest hearing his statement on that subject, but I am not surprised that he avoids it. Even his remarkable ingenuity would be at a loss to find any explanation of existing conditions which was creditable to the administration.

This is the last of the large appropriation bills. All the others have passed the House and are pending in the Senate. At the beginning of this session, on the first appropriation bill, I called the attention of the House to the fact that in this year of stringency and depression, when all individuals were cutting down expenses and trying to economize, this administration, seemingly unaware of financial and industrial conditions, apparently thinking that our income was not going to suffer like others, sent in estimates for the next fiscal year larger than had ever been submitted by any President and calling for an expenditure greater than the country had ever indulged in during its most prosperous years.

In the last campaign one of the main grounds of the attack upon the present administration was its extravagance, and yet in the face of that successful attack and criticism, and in the face of the unsettled conditions throughout the world, the enormous destruction of capital and the inevitable stringency resulting, this administration did not think it was prudent to do what everyone else was doing, and economize, but, blind to the signs of the times, requested Congress to appropriate money on a larger scale than ever before.

I said then that not only ought we to economize in our appropriations for 1916, but that in my opinion there was great danger that in this very fiscal year the Government would find itself confronted by a deficit. Two months have passed since then. Instead of changing for the better, it seems to me the lapse of time has but confirmed my fears. Apparently at last even the administration became alarmed, and a few days ago it was reported that Cabinet meetings were held and the leaders of the House and Senate consulted as to whether the appropriation bills which had granted the enormous sums requested by the administration could not even yet be clipped. But apparently effort in that direction was abandoned, and they are proceeding in their regular course.

The original estimates sent in asked for appropriations of \$1,000,000,000. The revenues were estimated at \$1,055,000,000, leaving an apparent deficit of \$45,000,000; but the estimates contained \$60,000,000 for the sinking fund, which it was not proposed to really spend, so that left a surplus of \$15,000,000 if the revenues should equal expectation. But under this administration revenues have always fallen below expectation, while the expenditures have always exceeded the estimates, and so already the bills which have passed the House or been reported have exceeded the original estimates by \$18,000,000, and that should be increased by \$2,000,000 because of a reappropriation made in the naval bill. So that already the appropriations exceed the estimates by \$20,000,000, and the surplus of \$15,000,000 is turned into a deficit of \$5,000,000, and there still remains the Senate to be reckoned with. Unless it departs from its invariable prerogative of increasing and never decreasing appropriations the bills will be still larger when they emerge from the Senate and from conference, and the deficit of \$5,000,000 will doubtless be still greater.

It is but fair to state that this increase of the appropriations over the original estimates is not primarily the fault of the House, as many of the increases have been recommended by the departments in supplementary estimates. Indeed, except for the \$27,000,000 increase in the Post Office bill, due mainly to the refusal to follow the recommendation of the Postmaster General and substitute the contract system for rural carriers, the House has appropriated less than the administration asked for.

The revenues this year have thus far been steadily falling off, though just how much it is impossible for me to ascertain. The customs revenue was estimated at \$240,000,000—\$20,000,000 more than the current fiscal year. What ground there is for expecting increased imports of dutiable goods next year it is difficult for me to comprehend. Conditions in Europe certainly do not look any more favorable, and we are quite as apt, I think, to have a loss of \$20,000,000 as a gain of \$20,000,000. I still think that in the present fiscal year we are likely to face a deficit, and that before the 1st of next July the administration will be selling bonds in order to pay the running expenses of

the Government and keep a balance in the Treasury. That balance has shrunk from \$145,000,000 on the 1st of July to \$55,000,000 on the 1st of February. That is an average loss of \$13,000,000 a month, and the Treasury balance is now reduced to as low a figure as Treasury officials have generally thought safe. But there is nothing to indicate that the trend will change at all during the next four months, and at that rate by the 1st of June the Treasury would be empty. Indeed, when it reaches the \$50,000,000 mark it is generally considered to need replenishing.

Of course in June the income tax flows in. That is estimated by the department at \$80,000,000—\$40,000,000 from corporations and \$40,000,000 from individuals. Last year those taxes brought in \$71,000,000. I can not see on what ground they are expected to produce more this year than last year. Last year the Secretary's estimate was \$16,000,000, or 20 per cent too high. I should not be surprised if his estimate this year was equally erroneous. To be sure, last year the depressing and disturbing effect of the Democratic tariff law reduced incomes, so that the tax produced far less than was anticipated. This year, while the tariff continues its blighting effect, we have in addition the tremendous disturbance caused by the war, and there is every reason to expect a great falling off instead of an increase in incomes of both corporations and individuals which will be reflected by a reduction in the revenue from that tax.

But allow that the income tax brings \$80,000,000—the full amount of the Secretary's estimate—and that other conditions remain the same—and there certainly is now no material prospect of a change—what would be the condition of the Treasury during the next fiscal year for which these appropriations are made? An excess of expenditures over receipts of \$10,000,000 a month from now till then amounts to \$50,000,000. We have now \$55,000,000 in the Treasury.

Mr. MANN. Oh, less than \$54,000,000.

Mr. GILLETT. A million does not make much difference now.

Mr. MANN. It shows how rapidly it is decreasing.

Mr. GILLETT. It does. Every time I look it is less than the last time.

Mr. MADDEN. Will the gentleman yield?

Mr. GILLETT. I will.

Mr. MADDEN. I want to call the gentleman's attention to the fact that it is likely that the income tax and the post-office revenue is going to fall off, too.

Mr. GILLETT. The income tax brings \$80,000,000, making \$135,000,000. Subtract from that \$50,000,000 which we will lose before July 1 and it leaves \$85,000,000 on hand July 1. That is only a little more than the safe working balance of \$50,000,000. But they estimate that the emergency tax will bring \$10,000,000 less in 1916 than this year, and there will be nothing to fill the Treasury again until the following June; so that if the present rate of revenue continues, long before the middle of the next fiscal year we will again be reduced to the issue of bonds to pay running expenses. And yet, in face of these figures, the Secretary of the Treasury issues a formal statement after the Cabinet meetings and conferences with Mr. UNDERWOOD and Mr. FITZGERALD, saying that the conclusion was reached that no reductions could be recommended in the appropriations, and no action was necessary to provide more revenue, and there was no occasion for unfavorable reports about the condition of the Treasury. I sincerely hope he is correct, but I believe he is indulging in optimistic day dreams and taking counsel of hope rather than reason. Of course some favorable change may come to increase the flow of revenue, but no sign of it can be pointed out except psychologically, and unless it comes our Treasury is sure to be emptied.

Our imports are steadily decreasing—they were \$138,000,000 in October, \$126,000,000 in November, \$114,000,000 in December—so that our customs revenues are also shrinking. Apparently all the sources of income for the Government are slowly drying up; we are liable to have a deficit in this very fiscal year; and yet, in the face of all that, there is evidenced by the administration no recognition of these conditions, no attempt at economy, no cutting off of expenses, no attempt to save the Treasury. To be sure, the Secretary of the Treasury did say in his annual report:

As long as the expenditures of the Government exceed its income there is always danger. A corollary of a weak treasury is impaired confidence.

But this recognition of the danger is not accompanied by any act to avert it, and apparently we are drifting on, appropriating larger sums than ever before, as if the world were at peace, conditions were normal, and we could afford to gratify all our desires. Such a policy is unsound, reckless, and improvident,

and unless some sudden stroke of good fortune should overtake us we are likely to face, unprepared, those exact dangers which the Secretary of the Treasury points out. And the administration is bending its whole energies to force through a reluctant Congress a shipping bill which will involve the expenditure of \$10,000,000 more and an annual deficit which can not be reckoned.

But the retort is always made by a majority to a minority, "Point out to us where you would economize." It is not a fair retort, because such economy ought to be undertaken by the executive departments when they are framing their estimates, surveying the whole field of Federal expenditure and balancing the different departments, and then it ought to be followed up in the committee room, where the close scrutiny and detailed examination is made. But the minority have already saved for the administration \$30,000,000 by the filibuster against the river and harbor bill in the Senate last session.

There are several items in this very bill which I think, under present conditions, ought to be omitted. There are appropriations of about \$10,000,000 for public buildings which have not yet been even commenced and for which no contracts are outstanding. They are all of them luxuries, and, in my opinion, many of them are extravagances which ought never to be indulged in, no matter how rich we are, but which certainly ought to be postponed to a time when the Treasury balance is not in danger. There would be a saving of \$10,000,000—quite a tidy sum for a depleted Treasury.

Mr. AUSTIN. Mr. Chairman, will the gentleman yield?

Mr. GILLETT. Yes.

Mr. AUSTIN. Will not the \$9,000,000 go out into circulation and employ many idle men?

Mr. GILLETT. We might as well say, "Issue bonds for a thousand million and employ them all, if you are going to employ any, and not exercise favoritism."

Another appropriation which I think could be well deferred is the \$3,000,000 for the physical valuation of railroads. When that project was first considered it was estimated to cost from \$2,000,000 to \$3,000,000 and to require three or four years for completion. Then the next year the estimated cost rose to an outside cost of \$5,000,000, with a limit of five years for completion. Now it is estimated that it will cost from \$15,000,000 to \$20,000,000, and we have no certainty that it will not cost twice that. Moreover, it will cost the railroads probably quite as much more, for we were told that it is now costing some of the older roads twice as much per mile as it costs the Government, and that, too, the people have ultimately to pay. How long it will take no one can accurately foretell or whether the information will not be so obsolete as to be practically useless. Admitting that the statistics will be valuable in various ways, they are, after all, a luxury which we can live without and which we might well postpone until the Treasury could endure the drain.

There are two large expenditures which might be lopped off and cause no suffering to the people and much relief to the Treasury.

But my main criticism is not against these special estimates and appropriations but against the indifference, the ignorance, or the procrastination which failed to carefully survey the whole field and outline economies which would have left our Treasury in a safe condition to weather any storm. I do not wish to be an alarmist or to excite undue apprehension about the Treasury, but I think the facts ought to be recognized, and with the Treasury balance reduced to \$55,000,000, the lowest it has been since the Cleveland administration, and with an average excess of expenses over receipts of from \$10,000,000 to \$13,000,000 a month, it seems to me the Government will be reduced to issuing bonds to pay its running expenses before the 1st of June.

Mr. PAGE of North Carolina. Will the gentleman yield for a question?

Mr. GILLETT. Certainly.

Mr. PAGE of North Carolina. Personally, I agree with some of the statements the gentleman has made about the possible saving at this time which could have been effected in this appropriation bill and some others, but, knowing the gentleman's sincerity, I want to inquire how he voted yesterday on the proposition to build one battleship or two?

Mr. GILLETT. Well, unfortunately, I could not vote, but I was paired in favor of two battleships, and I expressed in some remarks I made a week ago the full reasons, and if the gentleman will read those he will find there is no inconsistency with what I am saying now and with my vote on yesterday.

Mr. PAGE of North Carolina. Mr. Chairman, I want to assure the gentleman that the purpose of my question was not to reveal any inconsistency whatever. I think the gentleman is more consistent than the average Member of the House in his

votes and statements, and I really did not know how the gentleman did vote yesterday afternoon, but I thought if he lived up to the statement he was making this morning, surely he voted with us for one.

Mr. GILLETT. Mr. Chairman, for the first time since I have been in Congress I voted for two battleships on yesterday, and I gave my reasons very fully in a speech a week ago, and if the gentleman will read that, though it may not convert him, it may perhaps satisfy him of my continued sincerity.

Mr. BARTLETT. Will the gentleman yield for an interruption?

Mr. GILLETT. Certainly.

Mr. BARTLETT. The gentleman stated the large amount appropriated for the physical valuation of railroads. Would the gentleman suggest that that work be suspended during the next fiscal year?

Mr. GILLETT. I certainly would.

Mr. BARTLETT. The Appropriations Committee had the members of the Interstate Commerce Commission before them about it. Did they reveal how much money already appropriated was expended? I was not present at that hearing.

Mr. GILLETT. I do not care to take time to go into those details now. I do not wish to be discourteous to the gentleman, but I do not care to take time for that. I simply say that could be well postponed.

Mr. BARTLETT. Does the gentleman intend to call attention to the Alaska railroad proposition?

Mr. GILLETT. I do not think I will say any more now about specific items. There are a number of items in the bill which I think should be dropped. I have not mentioned all of them. I tried in the subcommittee to reduce many, which, of course, I can not properly reveal, but I simply suggest now the two largest reductions and postponements which I think should be made out of deference to the condition of the Treasury.

Mr. BARTLETT. Does the gentleman think that the appropriations carried in this bill for the continuation of the Alaska railroad project—I do not mean discontinued permanently—could be safely deferred?

Mr. GILLETT. I do; that is another one which I think could be deferred. There are \$2,000,000 more to be saved.

Mr. MARTIN. Will the gentleman yield?

Mr. GILLETT. I will.

Mr. MARTIN. The gentleman has given us approximately \$85,000,000 as the possible balance in the Treasury on the 1st of July, based upon the estimates by the Treasury Department, which he says he does not believe are accurate. I would like to ask the gentleman if he will favor the committee with his opinion as to the approximate condition of the Treasury on the 1st of July coming?

Mr. GILLETT. Mr. Chairman, I do not care to give that. I do not think I can prophesy exactly. I think that the income from the income tax will fall at least \$10,000,000 below what the administration estimates, and I should not be at all surprised if it were \$20,000,000.

And yet the Democrats still dare to call themselves the party of economy. For last year, when they made the largest appropriations ever known in the history of the Government, they might now make the excuse that they did not foresee the European war, and that they honestly, though mistakenly, believed that their new tariff law would draw into the Treasury ample revenue so that, although the expenditures would be enormous, the receipts would be correspondingly and adequately vast. That is, of course, a fair excuse. What is extravagance in a pauper might seem parsimony for a millionaire. It is hard to prove that a person or a government is extravagant which lives within its income. During that series of years when the Democrats so unceasingly denounced us for extravagance they at least could not charge that we did not provide ample means to pay for them. But now they not only exceed in amount those appropriations which they so fondly denounced as extravagant and profligate, but they fail to provide the revenues to meet their bills, which they now call, in the words of the Secretary of the Treasury, "the lowest figure consistent with efficiency of the service and the proper conduct of the business of the Government." They, the self-satisfied monopolists of economy, outrage every principle of sound finance. They appropriate money for larger expenditures than even last year, while at the same time they know that the stream of revenue, insufficient before, is steadily dwindling and with no sure prospect of replenishment. Their reputation for economy has shrunk even more than the balance in the Treasury.

There are many items of expenditures disclosed in the hearings on this bill which suggest criticism, or at least inquiry.

Most of them are small—individually may seem trivial and petty—but I shall point out a few of them, because, while each is of no great consequence in itself, yet repeated small instances indicate a trend and form a habit, and it may not be harmful for the departments to know that their items are watched and may be criticized.

A few years ago there was loud complaint here because of the number of horses and carriages maintained for officials of the departments at Government expense, and the abuse was restricted, and I remember nearly the whole of one afternoon was spent discussing whether the State Department was extravagant in spending nearly a hundred dollars a year for horse-shoeing. I observe now that for the use of the Secretary of War there are kept one 4-seated carriage, closed; one 4-seated carriage, open; one 2-seated carriage, open; and one 2-seated carriage, closed; and this not being enough to convey him in proper state to his official duties, there was purchased for his use out of the fund for transportation of the Army and its supplies an automobile costing \$4,850.

I do not criticize the Secretary of the Navy for visiting the different navy yards at Government expense, nor do I think it was necessarily superfluous for the Assistant Secretary to follow shortly after with a similar visit, but I do not see why the superior dignity of the Secretary required an expenditure of \$687, while it cost the assistant only \$489; nor do I see why the Secretary should charge the Government for an "official trip" from Washington to Lincoln, Nebr. I appreciate and admire his loyalty in visiting that shrine, but that worship has been sufficiently profitable to him already to allow him to pay his own expenses. If his visits to navy yards had resulted in some effort to abolish some of the useless ones, there would be less disposition to scrutinize them. The Government paid \$1,433.71 for the official trips of the Secretary alone last year, including visits to such scenes of naval activity as Spokane, Butte, Denver, Salt Lake, Omaha, Pittsburgh, and so forth.

Mr. BUTLER. It is not pretended there are any naval stations at these places. What was the official business of the Secretary of the Navy at Lincoln, Nebr.? There is not any water there.

Mr. GILLETT. I just pointed out that I did not know.

Mr. SLOAN. Will the gentleman yield?

Mr. GILLETT. I will.

Mr. SLOAN. I trust the gentleman will not detract in any way from the naval station at Lincoln. It is located on Salt Creek.

Mr. GILLETT. The Secretary of the Treasury is also a luxurious traveler. For a month's trip with the Secretary of Agriculture and their attendants to prepare for the establishment of reserve banks the Government paid \$6,663.01, over \$200 a day. I suppose they thought the magnitude of their financial purpose should be reflected in their expense account.

Mr. HELM. Will the gentleman yield?

Mr. GILLETT. Certainly.

Mr. HELM. Does the gentleman recall a famous trip taken by an ex-Secretary of War, later President of the United States, Mr. Taft, with a shipload of guests and acquaintances and friends to the Philippine Islands, that exhausted the entire appropriation of about \$200,000 or more for that purpose, and that they were subsequently compelled to draw on some contingent fund for \$70,000 or \$80,000 additional?

Mr. GILLETT. I do not know anything about the expense. There was such a trip by Congressmen to inspect the Philippines.

But to atone for any extravagance in traveling—if there was any, of which I am not certain, though the figures indicate it—the Secretary boasts in his report of one great saving which was detailed to our committee. Gold coin had always been shipped from one point to another by express. The brilliant thought occurred to the Secretary of saving these express fees and sending by parcel post. In that way he would only have to pay the Post Office Department, and really would not pay at all, as it is only a matter of bookkeeping, transferring a credit from the Treasury Department to the Post Office Department. The express companies insured the gold while the Post Office did not. Seventy-eight million dollars in gold coin have been shipped from the mint in Philadelphia to the subtreasury in New York by separating the coin in small bags so that each bag came within the parcel-post limit of 20 pounds, and in that way between 100 and 200 tons of gold were made up into small packages and sent to New York at no cost to anyone except the railroads, and the Secretary plumes himself on this business transaction.

My instinct is not to criticize any plan which saves money for the Government, for it is so uniformly imposed upon and

buncoed, its operations are conducted at such great cost compared with any other business, that I applaud any device for saving which is reasonable and decent. If at present the railroads were being overpaid for their carriage of parcel post I might think this was a shrewd device to get even. But when they are notoriously underpaid and the extra load and expense imposed upon them by the parcel post has never yet been fairly computed and provided for, to make up shipments of seventy-eight millions of gold coins into little bags and compel the railroads to carry it for nothing, requiring special trains and service, is a sort of Shylock performance unworthy the National Government, and although it saved us money, I do not think it an achievement to boast of. If it indicated a painstaking disposition to save money in the extremity of the Treasury it would be more excusable, but as a sporadic outburst of economy and a specimen of mean and unfair dealing, it is not creditable.

Mr. GOODWIN of Arkansas. How much was that saving?

Mr. GILLETT. I have forgotten the amount of the saving. I think it was about \$35,000. It was a material saving, however. The express companies have to insure the gold, and the parcel post does not insure it.

Mr. PLATT. Was that gold really shipped from Philadelphia to New York without being insured in any way?

Mr. GILLETT. It was.

Mr. PLATT. And if it had been lost, the Government would have had no recourse?

Mr. GILLETT. It would have had no recourse.

Mr. PLATT. Well, I think that is pretty poor business.

Mr. GLASS. Right on this point may I interrupt the gentleman? Does the gentleman know whether or not the Treasury Department has created this condition of affairs which up to 12 months ago had prevailed for 30 years? The Government of the United States for that period—

Mr. GILLETT. I am yielding for a question. If it is not a question, I do not care to yield.

Mr. GLASS. It is a question, but not a long one.

Mr. GILLETT. I do not care to yield for a statement.

Mr. GLASS. The Government of the United States for a period of 30 years—

Mr. GILLETT. Now, Mr. Chairman, I decline to yield any further. That is a statement.

Mr. GLASS. I have to make the statement in order to ask the question.

The CHAIRMAN. The gentleman from Massachusetts declines to yield.

Mr. GILLETT. Another act of the Treasury Department which seems to me of a similar character and spirit is connected with collection of the income tax. The law imposing an income tax provides (sec. 2d, sixth proviso):

That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies, or associations and insurance companies taxable upon their net income, as hereinafter provided.

Persons whose annual net income is more than \$3,000 and not more than \$20,000 are liable for the normal income tax only.

The Treasury Department form 1040 for the return of net income during the 10 months of the year 1913 required (line 2, p. 2):

Total amount of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, associations, or insurance companies subject to like tax.

On February 7, 1914, the Treasury Department issued to collectors of internal revenue a circular (T. D. 1945) quoting the proviso of the income-tax law above set forth and saying:

You are informed that returns of individuals, when such individuals are subject to the normal tax only, need not include the income derived from the dividends or net earnings referred to above. When individuals are subject to the additional tax, such income derived from said dividends or net earnings must be shown on the return.

This appeared to settle the question conclusively, and it was to be expected that a revised form would make it clear to income-tax payers exactly what requirements they were obliged to meet.

But form 1040, revised, issued for individual tax returns for 1914, contains (line 25, p. 2):

Dividends on stock or from the net earnings of domestic corporations, joint-stock companies, associations, or insurance companies subject to like tax.

The caption of page 2 of this form reads as follows:

This statement must show in the proper spaces the entire amount of gains, profits, and income received by or accrued to the individual from all sources during the year specified on page 1, except income derived from the obligations of the United States or any of its possessions, or of any State or political subdivision thereof, including district drainage bonds, and amounts paid by a State or any political subdivision thereof for services rendered as any officer or employee.

Paragraph 1, instructions, page 4 of this form, states:

This return shall be made by every citizen of the United States, whether residing at home or abroad, and by every person residing in the United States, though not a citizen thereof, having a net income of \$3,000 or over for the taxable year.

And the affidavit on page 4 is equally comprehensive.

There is not a line or word anywhere in the form to indicate the exemption of income from corporate stocks in the case of individuals not subject to the additional tax.

This class of income-tax payers—those having a total net income of not more than \$20,000—constitute numerically an enormous majority of those affected by the tax; and few of them are familiar with the law, or so sure of the law, as to maintain their rights against the express provisions of a Treasury Department requirement. This requirement operates as an inquiry into their private affairs from which the statute expressly exempts them. Thus the Treasury Department, knowing that it has no right under the law to demand from the great majority of the persons affected information as to the stocks which they possess, after it has been called to their attention and they have ruled and admitted that they have no such right, still send out a form demanding such information, threatening a heavy penalty for failure to give it, and making no suggestion that anyone is excused from it. It is an unjustified and mean attempt either to collect from innocent citizens taxes which they are under no obligation to pay, or to spy into their affairs and acquire information about their property which they are not obliged to reveal.

I can see no excuse for it. It is an irritating assumption of illegal power, a meddlesome attempt to encroach upon the rights of citizens unworthy any officer of a great Government.

Mr. MADDEN. Mr. Chairman, will the gentleman yield for a short question?

Mr. GILLETT. Yes.

Mr. MADDEN. Has the gentleman thought of the fact that there is a recent ruling by the Secretary of the Treasury that no person will be allowed to deduct his losses from his income this year?

Mr. GILLETT. No. I was not aware of that.

The Secretary of the Treasury in his estimates suggested another great economy and reform, which I am happy to say the committee did not adopt. He recommended that for the erection of public buildings throughout the country a lump sum of \$14,000,000 should be segregated, leaving it to him to determine how and when several millions of that money should be spent. This would be very useful for him. It would compel every Congressman who wished a building commenced or completed in his district to go to the Secretary and make terms with him. [Laughter.]

Mr. FITZGERALD. That provision did not originate with the present Secretary. It was originated by Secretary MacVeagh, and has been recommended several times and always refused.

Mr. GILLETT. It would have been more effective, I suspect, this time than it would have been under any other administration.

Mr. FITZGERALD. That is only on the theory that this is a more effective administration.

Mr. GILLETT. Millions of congressional pork would be absolutely in the control of the Secretary, to be doled out at such times and on such conditions as he should determine.

The influence of the Executive on Congress during this administration has been greater than at any time since the reign of Andrew Jackson. Its growth is one of the most dangerous symptoms in our politics. It makes one feel like introducing in our parliament the famous resolution which Col. Barre introduced under George III a century and a half ago—"The influence of the Crown has increased, is increasing, and ought to be diminished." But here is a shrewd proposition of the Secretary of the Treasury to increase enormously the patronage and influence of the administration. I suppose, as the offices have been largely distributed, and perhaps are giving out, some new source of power had to be invented, and here was discovered a fine method of continuing the dependence and subservience of Congressmen.

My own Massachusetts delegation offers a good illustration of that dependence in the past. In this Congress there were eight Democratic Members. Two of them have been reelected to the next Congress. Of the other six, places have been provided for one as Assistant Secretary of the Treasury, for two as postmasters of their home cities, and for one as United States marshal. Of the others, one signed a report against the administration's pet measure, the shipping bill, and so, of course, put himself without the pale; but why the other lone Member has been discriminated against and still left outside the breast-

works of patronage, I do not understand. Perhaps the plum is still kept dangling. [Laughter.] Thus the dependence of the executive and legislative branches of the Government is maintained. Thus the policies of the administration win the support of an appreciative and grateful, if not an impartial, majority in Congress.

We see by the press that the President has invited the Progressive Senators to talk with him about the shipping bill, and, about the same time, that he is considering the appointment of one or two Progressives on the Trade Commission. Remembering how he removed the only Republican member of the Civil Service Commission and filled his place, which the law did not allow to be held by a Democrat, with the nominee of a Progressive Senator, and how long and faithfully that Senator supported administration measures, I shall watch with interest these contemplated appointments. On the Trade Commission, as on the Civil Service Commission, the law compels the appointment of some members of the minority party. The Reserve Board had no such limitation, and accordingly all eight members of that board were Democrats. In many parts of the country the Progressive Party has dissolved, and in his Indianapolis speech the President made a strong appeal to them to join the Democratic Party. Under these circumstances, is it obeying the spirit of the law to appoint accommodating Progressives as representatives of the minority party? [Laughter.]

In the recent campaign I was criticized by my opponent on the stump because I had said:

He [the President] has certainly shown himself a wonderful master in the distribution of patronage. The most experienced politician has never shown greater skill in pacifying a voracious animosity by the distribution of loaves and fishes than this college professor.

I see no reason to retract or modify the statement. I spoke of Andrew Jackson, the great spoilsman, as the prototype of this administration. But I have discovered an earlier model. In the history of the Lewis and Clark expedition I find the following:

The chiefs and warriors held a council among themselves to decide on the answer to our speech, and the result was that they confided in what we had told them, and resolved to follow our advice. This resolution once made, the principal chief, Tunnachemootoolt, took a quantity of flour of the roots of cows, and going around to all the kettles and baskets in which his people were cooking thickened the soup into a kind of mush. He then began an harangue, making known the result of the deliberations among the chiefs, and after exhorting them to unanimity concluded by an invitation to all who agreed to the proceedings of the council to come and eat, while those who would not abide by the decision of the chiefs were requested to show their dissent by not partaking in the feast.

[Laughter.]

The concluding appeal of the orator effectually stopped the mouths of every malcontent, and the proceedings were ratified, and the mush devoured with the most zealous unanimity.

[Laughter and applause.]

Tunnachemootoolt lived a hundred years before his time. He should be canonized with Andrew Jackson as one of the patron saints of the Democratic Party. Does not his statecraft charmingly illustrate and anticipate the success of this administration? And if the request of the Secretary of the Treasury had been granted and he had been given full control over the expenditure of the fund for public buildings, what an eager rush there would have been toward the bowl of mush and what unanimity in voting! [Laughter.]

In glancing over the list of special attorneys employed by the Attorney General my eye happened on the two familiar names of Bryan and McAdoo, and an unsuspecting interest in the pursuit of abstract truth brought out the surprising information that these names were attached to the persons of sons of two Cabinet officers. The Attorney General obviously knew earlier than we did of the animating principle of the premier of this administration expressed so forcibly in the now famous Vick letter, and indicating that Government offices exist in order to give employment to deserving Democrats—and, of course, all members of the family should be included. The Secretary of the Treasury is to be congratulated on having a son so brilliant and precocious that when just commencing the practice of law he is worth \$2,000 a year to the United States as a lawyer. The son of the Secretary of State, the premier of the administration, was, of course, worth a higher salary.

As indicating how the principles of the Democratic Party, like everything else mortal, are subject to change, I am reminded of an incident in the Forty-fourth Congress, when the House was Democratic and removed from office the Doorkeeper, Fitzhugh, the man who attained fame by the expression, "I'm a bigger man than old Grant." The report of the Committee on Rules recommending his removal contains this sentence:

The appointment of his son, a mere boy, to a \$2,100 place, and when that was vacated by him then his reappointment and retention as file

clerk at a salary of \$1,800, shows a disregard of a principle of civil service frequently commented upon of late.

This referred, of course, to nepotism. How heretical and antiquated that sentiment would seem to this administration! [Laughter and applause on the Republican side.]

In a recent speech the President compared himself to the captain of a college football team. He did not give any details of his organization, but it does not require much imagination to fill up the membership of his first team. I venture to make a guess at it. The President, as he says, would be captain. The captain has despotic authority. No one questions his commands and the slightest disobedience is punished. So far the President's metaphor is perfect. The President would also doubtless fill the position of quarter back, the one who gives the orders on the field. The title of end men is so appropriate to those promoters of national merriment, Secretary Daniels and Secretary Bryan, that I am sure no one would contest with them those places. The stalwart form of the chairman of the Ways and Means Committee would doubtless be selected for center, whose duty it is to pass the ball up to the quarter back, having first received from him exact and explicit orders. The tackles would be those wiry athletes [laughter], the chairman of the Finance Committee of the Senate and the chairman of the Appropriations Committee of the House [laughter and applause], although after our colleague had made his speech describing the mess of the Democratic Party he might be relegated to full back, and even farther back than that, although he would certainly be brought forward again when any kicking was to be done, for no one would dispute his preeminent qualification in that line. [Laughter.] For half backs to carry the ball the captain would undoubtedly select those two dispensers of patronage, the Postmaster General and the Secretary of the Treasury, for he could be certain that no member of the team would ever lose sight of the ball as long as they carried it, but would follow them desperately and unflinchingly to the goal. It is a question whose tactics would be most successful in advancing the ball, the elusive and sinuous and artful dodging of the Secretary of the Treasury or the mad, headlong, straightforward rushes of the Postmaster General, but each could be sure of the team's enthusiastic support until the last office was distributed. There are so many candidates for the position of guards, particularly guards of the Treasury, and they are all so incompetent, that I shall not undertake to guess who would be selected. And when the line was formed for a grand, final struggle and the captain wished to call upon the team for their supermost exertion and extract from them the last frenzied ounce of strength he would doubtless shout out to them the signal, not in the usual mysterious numbers, but in four gladdening letters—P O R K—and with that incentive and inspiration the team would put forth their extreme effort. [Laughter and applause on the Republican side.] As long as the intoxication of that magic slogan lasts who could withstand their onset?

Thus I have endeavored to point out some of the defects which came to my mind during the formation of this bill. I will say frankly what I am sure you would not otherwise suspect, that I do not claim to have always spoken in a purely judicial and impartial spirit. Very likely some of the items I have called attention to were quite justifiable. But I consider that a proper function of the minority is to call attention to abuses or probable abuses or tendencies which may grow into abuses. We may not succeed in righting or even discovering a wrong, but it is always healthy for any administration to know that to commit wrong is unsafe, that it is watched, that it may be detected, and is never secure against disclosure and public criticism. [Applause.]

Mr. FITZGERALD. Mr. Chairman, how much time has been consumed on both sides?

The CHAIRMAN. The gentleman from New York used 1 hour and 12 minutes and the gentleman from Massachusetts 53 minutes.

Mr. FITZGERALD. I yield 20 minutes to the gentleman from North Carolina [Mr. PAGE].

Mr. PAGE of North Carolina. Mr. Chairman, it is not my purpose to undertake to reply to the very able speech that has been delivered by the minority leader on the Appropriations Committee [Mr. GILLET] nor to address myself to the bill under consideration at this time. An incident that has been brought to my notice within the last few days in connection with the administration of the tax laws of the District of Columbia in the matter of assessment of taxes, relative to which a great deal has been said at one time and another by various people in the consideration of the District bill and District legislation, leads me to call the attention of the House, and incidentally those who are administering the laws of the District of Colum-

bia, to the situation that exists in connection with the levy and collection of taxes.

The contention has been made by certain gentlemen in this connection that the levy of taxes both as to assessment of real estate as well as of property that is covered under that assessment in the District of Columbia, is extremely favorable to the property owner here. On the other hand, there are those in the House, as elsewhere, who have contended with a good deal of vehemence that the property owner in the District of Columbia bears as great burden of taxation as does the average citizen of the States or the Union or other municipalities.

I am not at this time going to express an opinion as to whether or not the contention of those I have first mentioned is true or that of the latter. There is a feeling on the part of a great many Members of this House that there are certain classes of property owned in the District of Columbia that should be placed on the tax list which at present, under the law, are not. Under the present law there is an assessment levied upon the property of the District through an organization in the assessor's office, as far as real estate is concerned, of a valuation of not less than two-thirds and 1½ per cent on that valuation.

The law also provides for an assessment against tangible personal property, and the rate placed upon this is also 1½ per cent. However, the law under which this tax is levied has upon a little investigation upon my part revealed its weakness. Further than this, I am satisfied that those who are administering the law in the matter of placing an assessment, particularly on personal property in the District of Columbia, are not carrying out the law as it is written—certainly not in spirit.

Necessarily, in order to bring to the attention of the House the matter I have in mind, I am forced to be personal. So far as I remember, during my residence in the District of Columbia for 10 years I have never been asked to file an inventory with any official of the District of the personal property that I own. I find that a great many other gentlemen with whom I have conversed are in exactly the same condition.

The other morning, a few days ago, I received from the assessor's office of the District of Columbia a notice of a delinquency on my part for not having paid taxes on personal property. I presume other gentlemen may or may not have received a like notice. That notice read as follows:

Hon. ROBERT N. PAGE,
1827 Park Road.

SIR: You are hereby notified that the board of personal tax appraisers, under authority of the act of Congress approved July 1, 1902, as amended by the act of Congress approved April 28, 1904, has made an assessment of your personal property in the sum of \$2,400, which includes a penalty of 20 per cent, upon which there is levied a tax of 1½ per cent upon said assessed value, a tax of \$36—

And so forth.

I am entering no personal complaint about the amount of the assessment that I am called upon to pay, but I do feel that I have a grievance in that the first notice that I have received relative to my indebtedness to the District of Columbia upon my personal property carries with it a penalty of 20 per cent of the amount assessed.

Mr. GILLET. Will the gentleman yield?

Mr. PAGE of North Carolina. Yes.

Mr. GILLET. Did the gentleman inquire why he did not get the original notice?

Mr. PAGE of North Carolina. I am reaching that. My curiosity was aroused somewhat, and I immediately called up the assessor of the District of Columbia and asked him for an explanation as to why I was taxed with a penalty upon the very first notice I had had that there was anything due the District of Columbia from me for personal taxes. I said, "Have I filed with you any inventory of personal property?" He said, "Probably not." My next question was, "How did you arrive at the amount of the personal property, to wit, \$2,400?" He answered, "Upon the best information we could obtain." I was still insistent and a little curious. I said, "How did you get the information, and from whom did you get it? You certainly did not inquire of me, nor did I give it." He hesitated to answer that question. I fired another at him, in which I wanted to know how they determined the amount of personal property of citizens in the District. I was not only amazed, but I was shocked, as many of you will be when I tell you his reply—"that his employees in the office walk the pavement in front of my dwelling and the dwellings of other people who live in the District of Columbia and guess at the amount of personal property it contains."

Mr. MONDELL. Will the gentleman yield?

Mr. PAGE of North Carolina. Yes.

Mr. MONDELL. What would they do in the case of an apartment house?

Mr. PAGE of North Carolina. I suppose he would go in and look at the number of letter boxes in the lobby and guess at the personal property of each one of the occupants. In explaining his method he mentioned 1620 Massachusetts Avenue. I do not know who lives there. He said:

My assessor or my employee from this office goes by on the sidewalk and views this house on the outside and makes an assessment on the personal property therein.

Mr. MONDELL. How does he know whether the house is abandoned or closed, and whether it is practically stripped of the furniture or full of the richest and finest furniture?

Mr. PAGE of North Carolina. Necessarily he does not know, and the gentleman from Wyoming knows he could not know. I suggested to him that even the house at 1620 Massachusetts Avenue might contain nothing more than a dining table and two chairs, and yet from the outward appearance his employee might guess that it contained \$10,000 worth of personal property.

Mr. MONDELL. Is not the inevitable result of the system that those who are underassessed say nothing and all that feel themselves aggrieved protest?

Mr. PAGE of North Carolina. Of course, and that is the point I was coming to. Under any such system as is in vogue in the office of the assessor of the District of Columbia on personal property the result must necessarily be that those who are overassessed complain and those who are underassessed pay the amount they are assessed without mentioning the fact that they have more.

Mr. MONTAGUE. Mr. Chairman, will the gentleman yield?

Mr. PAGE of North Carolina. Yes.

Mr. MONTAGUE. Perhaps I could obtain the information elsewhere, but the gentleman probably has it at his finger's end. Who appoints this tax assessor?

Mr. PAGE of North Carolina. Mr. Chairman, the gentleman has asked a question I was coming to in a moment. This tax assessor is named by the Commissioners of the District of Columbia, and I wonder how many Members in this House are aware of the fact that he is named for life, upon good behavior, that there is a specific clause in the law, a provision that he can not be removed except for malfeasance in office, neglect of duty, or inefficiency. That applies not only to the assessor but to his assistants as well.

Mr. MONDELL. Mr. Chairman, will the gentleman yield?

Mr. PAGE of North Carolina. Yes.

Mr. MONDELL. Does the gentleman say that the policy to which he has referred as the one in vogue indicates good official behavior on the part of the assessor? Does the gentleman know of any other place on earth where that sort of system would be tolerated for a moment?

Mr. PAGE of North Carolina. Mr. Chairman, possibly I ought not to relate here a conversation that I had with the gentleman over the telephone, but this led me to ask this gentleman why he did not place in the hands of the owners of personal property in the District of Columbia a blank inventory upon which they might fill out under oath what they had and file it with him, so far as the personal property was concerned. I asked him if he knew of any other assessor anywhere on earth who did not undertake to place in the hands of the people whom they were taxing an opportunity at least to file an inventory of their taxable property. He freely admitted that he knew that the Treasury sent out such a notice. Whether he knows that every county in every State in this Union does the same I do not know; but the conversation went so far, I will say in answer further to the gentleman—and at that time I did not know that this man held his office for life; that he could not be removed except for cause—that I said to him that a man who had no more administrative ability and no more initiative had no business holding the office that he held.

Mr. DUPRÉ. Mr. Chairman, will the gentleman yield for a question?

Mr. PAGE of North Carolina. Yes.

Mr. DUPRÉ. Is there no requirement in the statute that compels this man to serve notice on and have the taxpayers make a return?

Mr. PAGE of North Carolina. Absolutely none to compel him to serve notice. That is a defect in the law. He is doing no more than he is compelled to do, whereas if the man had proper initiative and was really trying to carry out the law as it is written, not only in its letter but in its spirit, he would himself initiate methods, whether they were laid down in detail in the law or not, by which he could reach the property and see it was properly assessed and those taxes paid.

Mr. MONDELL. Mr. Chairman, will the gentleman yield further?

Mr. PAGE of North Carolina. Yes.

Mr. MONDELL. In the gentleman's investigation did he discover whether there was any way by which a taxpayer could pay his taxes on personal property without this penalty?

Mr. PAGE of North Carolina. I do not know that I asked exactly that question; but taking the case in point, if the gentleman will point out to me how I could have paid my taxes and have avoided this 20 per cent penalty, when this is the first intimation I ever had of what they had assessed against me—and I suppose I am treated as other property owners in the District are treated—I would be very glad to have him do so. I can conceive of no such way.

Mr. MONDELL. I will say to the gentleman that I received such a notice as he did, and I am glad that he investigated it. I thought of doing so, but neglected to do so. I do know that the tax collector does invite all of those who feel that they are overassessed to object, and ask for a reduction, by referring them to the blank space for a schedule on the back of the notice.

Mr. PAGE of North Carolina. That is done on this notice to me. In conclusion, Mr. Chairman, I desire to say that this gentleman gave as an excuse to me for not doing certain things I suggested to him that he did not have the force; that his office was not equipped so that he could do these things. I want to put into the Record at this place the fact that for the office of the tax assessor of the District of Columbia in the current appropriation bill there is an appropriation for the purpose of assessing real and personal property in the District of Columbia of \$63,740. Salaries are carried for 41 people. The tax assessor is paid a salary of \$3,500, and he has three assistants, at salaries of \$3,000 each. He has two other assistants, at salaries of \$2,000 each. He has four people at \$1,400; four people at \$1,200; seven people at \$1,000 each; two at \$900 each; one at \$1,200; one at \$900; one at \$1,200; two at \$1,000; two at \$600; one at \$1,500; two at \$720; one at \$1,500; and a lump sum of \$500 for clerk hire, amounting in all to \$47,940 in salaries appropriated to this office for the purpose of assessing real estate in the District of Columbia. In addition to that, for personal property he has two assistant assessors at \$3,000; one appraiser at \$1,800; one clerk at \$1,400; one clerk at \$1,000; three inspectors at \$1,200, and clerk hire to the amount of \$2,000, making a total of \$15,800 for the personal-property assessment, or \$63,740 in all for the assessor's office.

I want to say, and other Members of this House can bear me out, that with an equal number of people to be assessed in many of the counties represented here by various gentlemen there are as many individual taxpayers as there are in the District of Columbia. In many counties there are practically as many individual taxpayers as there are here, because this gentleman told me yesterday that there are only 16,000 people who pay taxes on personal property in the District of Columbia. In my county the assessments are made upon the property of every property holder in the county, both real and personal, and the assessor receives \$2,500 a year and has one clerk at \$600 a year. The taxes are collected in that county by the sheriff. He is paid a salary of about \$2,500 and has one deputy at less than \$1,000. The property, real and personal, of every man in that county is placed upon the tax books, and the taxes are collected, at a cost of less than \$6,000, whereas we are appropriating in this bill for the purpose merely of assessing the property in the District of Columbia \$63,740, and providing for the employment of more than 40 people. And yet this man says to me that he has not the force necessary to send out notices and induce the taxpayers to file an inventory of their personal taxes. Now, the gentleman in this House who supposes that the method of taxation and the assessment of these taxes and their collection in the District of Columbia is ideal has another guess coming. I venture the assertion there is not another political jurisdiction in the world that is as faulty in its administration in this respect as is within the District of Columbia, nor is there another place where there are as many people subject under the law to assessment and levy of taxes who escape altogether any taxation. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. PAGE of North Carolina. I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none.

Mr. FITZGERALD. I will ask the gentleman to use some time on his side.

Mr. MONDELL. Mr. Chairman—

The CHAIRMAN. The Chair will inquire of the gentleman from Wyoming if he has charge of the time for Mr. GILLET?

Mr. MONDELL. The gentleman from Massachusetts [Mr. GILLET] asked me to yield 40 minutes to myself on his behalf.

The CHAIRMAN. The gentleman from Wyoming is recognized for 40 minutes.

Mr. MONDELL. Mr. Chairman, at the close of the remarks made by the gentleman from New York [Mr. FITZGERALD], the chairman of the committee, the gentleman from Massachusetts, the ranking minority Member, asked the gentleman from New York if in his opinion this bill could have been further reduced in the amounts carried in the various items without serious injury to the public service. I do not know whether the gentleman from Massachusetts intended to be facetious or not. If that was his intent, his question was certainly a most excellent joke, for I want to bear testimony to the effect that when the careful and painstaking chairman of this committee, the gentleman from New York, gets through with his trimming process on an appropriation bill in the face of a deficit in the Treasury, no one else need to undertake the job with a view to finding any fag or loose end which might properly have been eliminated. The gentleman from New York is the most scientific trimmer that I have ever had the pleasure of meeting.

Mr. FITZGERALD. I do not like that expression.

Mr. MONDELL. I mean a trimmer of appropriation bills. The gentleman from New York is never a trimmer in any other way. He is upright and downright and four square to all the winds that blow, but his fine hand in trimming an appropriation bill is a thing to admire if you are seeking economy. Yet I want to say for the gentleman from New York that a fairer man does not live, that with all of his efforts at economy, which are commendable in the state of the country's finances, that he has endeavored, and I think successfully, in the main, to make reasonable appropriations considering the circumstances and the condition of the Treasury for every governmental activity. Certainly, he has been painstaking and, I hope, successful in avoiding any cut which would actually seriously embarrass the officials of the Federal Government in carrying on the more urgent part of the Nation's business.

It is regrettable, when the Treasury of the country is in the condition in which we now find it, without regard to the causes which produce that condition, that necessitates refusing almost every request, no matter how reasonable, for enlargement and extension and betterment to the public service. It even leads to the refusal to appropriate for the reasonable upkeep of some classes of Government property. Under these conditions there is bound to be a parsimony which is not always economy in the long run; of course, there must be a denial of that growth and expansion and improvement of the public service which is desirable in a great and growing country like ours. Now, the minority has not the same sort of responsibility in regard to expenditures that the majority has; and yet the minority has a certain responsibility, and particularly the minority members of the Committee on Appropriations. While we can absolve ourselves from all responsibility for those things which we believe in the main brought about this deplorable condition of the Treasury, still we can not absolve ourselves from our responsibility as Representatives not to plunge the Nation toward bankruptcy or in the direction of bond issues for expenditures that are not absolutely essential. The unfortunate and somewhat embarrassing position which a Member of the minority finds himself in is when we come to consider just how far we may cut an item without disastrously affecting the service—just how much we can agree with the majority in leaving out items without depriving the Government service of those betterments and improvements and enlargements that are needed and in some cases almost essential. In view of the present lamentable condition of the Treasury, rapidly growing worse, heading in the direction of a bond issue, I for one am glad to join with the members of the committee, of which I am a member, in economy, so far as that can be done, without considerable and lasting injury to the public service; and therefore I shall support the committee in the main in this bill, although I regret the extent to which many items have been reduced. There are a few items in the bill which I believe ought to be increased, but in the main it is my purpose to stand by the committee in its work and in its decision; and I particularly commend the chairman of the committee for the splendid work he has done in connection with this bill, for the care he has given to the preparation of its items, and the absolute fairness at which he has arrived at in his judgments with regard to the various items.

Mr. SLOAN. Will the gentleman yield?

Mr. MONDELL. I will.

Mr. SLOAN. I noticed the gentleman's chivalrous assumption of part of the responsibility for economy. Does the gentleman assume any of the responsibility for the necessity for this economy arising—

Mr. MONDELL. I think I said a moment ago I assume no responsibility at all for the legislation and the attempt at legislation and general bad administration which, in my opinion, is

almost wholly responsible for the present lamentable condition of the Treasury.

Mr. BORLAND. Mr. Chairman, will the gentleman yield?

Mr. MONDELL. I yield.

Mr. BORLAND. The gentleman will realize, of course, in answering the question of the gentleman from Nebraska, that practically all the activities that are appropriated for in this bill are the inheritance of former administrations; that they are not created by the present Democratic administration, but that administration is taking care of the expenses contracted under a Republican administration to which the Government is obligated, and, of course, we must meet that obligation.

Mr. MONDELL. That is true, but nobody is complaining about that—

Mr. SLOAN. Will the gentleman yield?

Mr. MONDELL. In just a moment. The complaint and the criticism is that the gentlemen of the opposition in inheriting these responsibilities did not have the wisdom and judgment to provide the funds for carrying on these important works and activities.

Mr. SLOAN. And it is observed that these activities are recognized as beneficent, wise, and prudent?

Mr. MONDELL. Oh, always. While Republican legislation is anathema in its enactment so far as the opposition is concerned, it is always approved and upheld so far as its effects are concerned when it actually gets to work. Even as to those features of our legislation which they constantly continue to criticize as a matter of policy, such as our tariff views, they do not dare to criticize the results in splendid progress, development, and prosperity in the country and in keeping the Treasury constantly replenished to meet the necessary outgo in the interest and for the benefit of the people of the United States. [Applause on the Republican side.]

RECLAMATION PROJECTS.

The Committee on Appropriations in this bill appropriates for the first time for the Reclamation Service, the service that has charge of the construction of works for the irrigation and reclamation of arid lands in Western States. There was some question of jurisdiction as between this committee and the Committee on Irrigation in regard to that matter, and I felt a little, although I am a member of this committee and not a member of the other, in that regard like the fellow who when quizzed on his deathbed as to where he hoped and expected to make his home in the future, said that he had conflicting emotions, because he felt that he would find friends in both places. So far as the interests of my State in reclamation matters are concerned, I am sure they would be properly considered and cared for whichever committee had charge of the matter, and therefore, except for the fact as a member of the Committee on Appropriations I am very glad indeed to have to do with these matters, I am not much disposed to get excited on the proposition of jurisdiction. I do think that under the present rules of the House the Committee on Appropriations unquestionably has jurisdiction, and that the decision arrived at was a proper one.

Up to June 30 last there had been received from the receipts of public lands in the States and Territories where those receipts flow into the reclamation fund the sum of \$81,813,772. A number of years ago, as the result of a bill I introduced, a bond issue of \$20,000,000 was provided for to aid in carrying on these projects and in their development. From these two sources there was available up to June 30 last for the service \$101,813,772. Of this sum \$91,664,628.76 had been expended in the construction. There had been, however, repayments relating to construction in the sum of \$5,206,018.61, leaving the net expenditure \$86,458,610.12. Projects had been undertaken in all of the States subject to the reclamation law and under its provisions prior to the present fiscal year, with the exception of the State of Oklahoma, and this bill contains an item for a small project in that State. The total of estimates presented to the committee for the fiscal year 1916 was \$14,776,000. The total recommended in this bill is \$13,430,000, a reduction below the estimates of \$1,346,000.

It is my purpose at this time to briefly discuss, particularly for the benefit of my friends from the States affected, the reasons as they appealed first to the subcommittee and then to the full committee for these various reductions. I shall not have time in the period allotted to me to discuss the projects generally. I shall not, unless I am requested to do so by some gentleman, refer to any of the projects except those where there has been a reduction below the estimates. The first reduction below the estimate submitted is in the case of the Yuma project, which is partly in Arizona and partly in California. Before I go to that item, however, I want to say this as to the desire and view of the committee in making these appropriations. It was the aim of the committee to provide the sums necessary

for the maintenance and for the orderly development of all projects estimated for, except the one which is eliminated and to which I will refer later. Though Mr. Ryan, the comptroller of the service, under whose direction the estimates were made, stated to the committee that the estimates were liberal, no reductions were made except in those cases where it was clear to the committee beyond a reasonable doubt that the project could be developed according to the plan of the service and substantially as contemplated by them during the fiscal year for which the appropriation was made for a lesser sum than the service had asked.

Coming now to the first case—the Yuma-Arizona-California project—the estimate was \$934,000.

Mr. SMITH of Texas. Will the gentleman permit a question?

The CHAIRMAN. Will the gentleman from Wyoming yield to the gentleman from Texas?

Mr. MONDELL. I will yield.

Mr. SMITH of Texas. As I understand it, these estimates in regard to the construction were based upon the reports of the engineers as to what it would take to do a given amount of work?

Mr. MONDELL. The engineers in the field.

Mr. SMITH of Texas. Yes, sir. Now, what I would like to know is how the committee arrived at the conclusion that these estimates were incorrect?

Mr. MONDELL. The committee did not exactly arrive at the conclusion that the estimates were incorrect. That is not a correct statement to make. If that were the view with regard to every reduction that is made in this and other appropriation bills, then we would have to hold that no branch of the public service submitted correct estimates, because here are thousands of reductions in this bill.

Mr. SMITH of Texas. The gentleman is correct about that. I would not contend any such thing as that, but I just wanted to know how the committee arrived at it, so that I can form an opinion of my own as to whether the committee or the Reclamation Service is correct.

Mr. MONDELL. This is a fact, that we know these estimates were made hurriedly. The service did not have very much time in which to prepare and present to the department the estimates on which this bill is based. In some instances, so they informed us, they telegraphed the district engineer to send in his estimate, and in some cases those estimates may have come in by wire. We are all of us more or less familiar with the public service, and we know that under those circumstances it is not at all likely that any project engineer would underestimate his necessities or underestimate the amount that he needs. Further than that, as I have said, Mr. Ryan, who prepared these estimates in the office of the Reclamation Service, assured the committee that the estimates were liberal, though they were in some cases, no doubt, below the estimates sent in from the field. Further than that, the hearings themselves developed the fact, both in specific cases and through the hearings as a whole, that the estimates were, as Mr. Ryan said, liberal. And yet the committee made no reduction except in those cases where we believed from the testimony, from the thirteenth annual report of the service, and from a very valuable volume which they prepared for our use, a volume of very great detail and of some 500 pages, under the title "Discussion of Projects," that the reductions were justified. We secured information from all these sources, and we only reduced where, in our opinion, it was quite clear and evident, beyond any reasonable doubt, that the development which the service contemplated, and to the extent that the service did contemplate it, could be provided and paid for for a lesser sum than the sum estimated. There is only one case in which we departed somewhat from that in our theory in regard to the reduction. That is in the case of the Sun River project in Montana, where the committee was of the opinion that certain work planned in the nature of storage on that project need not be developed as rapidly during the coming fiscal year as the service anticipated developing it, though the reduction we made would not necessarily halt that particular feature of the project if, in the opinion of the service, that feature of the project was more important than the distribution system for which provision was made.

Mr. BORLAND. I was going to ask the gentleman whether it was not a fact that the hearings developed in some cases that there were certain portions of new work estimated for that were not in immediate demand for practical purposes in connection with these projects and that they could very well wait for subsequent appropriations?

Mr. MONDELL. That was true; but the only case in which the committee made any considerable reduction on the theory that any particular work contemplated need not be carried on during the fiscal year was in the case of the Sun River and, to a certain extent, in the very project that I was proposing to

discuss, namely, the Yuma, where there is a class of work the necessity for which can be determined only by the conditions of the flow of the Colorado and the Gila Rivers as they develop.

Mr. BORLAND. Now, another question for the benefit of the gentleman from Texas [Mr. SMITH], the chairman of the Committee on Irrigation of Arid Lands: Did not the estimates of the engineers, so far as possible, tend to the completion of projects that were near enough to completion to cover their final completion to the point where they could be brought to a condition of utility to the settler? In other words, were not the estimates of the engineers based upon the theory of bringing each project that was already sufficiently near to completion up to the point of practical service?

Mr. MONDELL. That was true; and the committee made no attempt to halt the work along those lines and in that direction. Its reductions were made—if I may state it again—first and in most cases where it was so clear that there could not be any reasonable doubt that the work contemplated and proposed could be done for a lesser sum, and, in the case of the Sun River project, where it was believed that the development of the Sun River storage project as rapidly as was anticipated would not be necessary, and therefore not necessary to have so large a sum appropriated.

Now I yield to the gentleman from Texas.

Mr. SMITH of Texas. That brings the gentleman up to the point of giving the information I desired a moment ago. I understand the amount appropriated for the Rio Grande and New Mexico project was about \$100,000 less than the estimates.

Mr. MONDELL. Yes; \$104,000 less.

Mr. SMITH of Texas. What I wanted to get at was whether or not the committee, in reducing this appropriation, left out some particular unit of the work that the estimates provide for, or whether the general estimate as a whole was scaled down just so much?

Mr. MONDELL. If I have the time, I shall go over every project that was scaled in detail and give the reasons for the reductions in each particular project. Neither in the case of this particular project nor any, except the Sun River project, did the committee make any reduction on the theory that any of the work proposed by the service was to be curtailed or put over to a later date. In the case of the Rio Grande—and I will discuss that more in detail later if I may have the opportunity—estimates were made for 1916 for a considerable amount of work that is now being done, the major part, at least, of which will be done before the close of the fiscal year; so that, as a matter of fact, we were asked to appropriate money in 1916 for work that will be paid for before these moneys become available. That being true, this item reduced \$104,000 still leaves the good, juicy sum of \$1,265,000. We felt we could reduce it \$104,000 without interfering at all with the orderly, progressive, satisfactory development of the work.

Mr. SMITH of Texas. The committee, then, has not cut out any of the work that was proposed to be done?

Mr. MONDELL. Let me remind my friend from Texas [Mr. SMITH] that his project was not reduced as much as the project in which I am, as a Representative, most interested. His project was not reduced one-third as much as one of the projects in Montana. I intend no reflection when I remind the gentleman in this connection of the fact that his great State, which I helped to bring under the reclamation tent, has never contributed one cent to this great fund of \$81,000,000 from the sale of lands, while some of the States, like that of the gentleman from Oregon [Mr. SINNOTT], have contributed \$11,000,000.

Mr. SMITH of Texas. Mr. Chairman, will the gentleman yield there?

Mr. MONDELL. Yes.

Mr. SMITH of Texas. It is not my purpose in asking these questions to antagonize the Committee on Appropriations. I was asking the questions for information. But I want to say, in reply to what the gentleman from Wyoming has said, that the State of Texas in truth has not contributed anything to the reclamation fund, and neither has the State of Wyoming.

Mr. MONDELL. The State of Wyoming has not contributed?

Mr. SMITH of Texas. No, sir. The public lands of this country belong to the Government, and upon that basis none of the States has contributed anything, and it was upon that theory that the act extending the Reclamation Service to the State of Texas was passed.

Mr. MONDELL. Oh, I will say to the gentleman, as to that, that it was just out of very broad notions of good-fellowship on the part of the people in the arid States that we extended the helping hand to the State of Texas, and I was very glad to be one of those who helped. As for the gentleman's statement that the public lands belong to the people of all the States, if we applied that rule to Texas she would now be owing the country many millions of dollars for her public lands she disposed of.

She has eaten her cake and has it also. I realize that the gentleman from Texas is not criticizing and has no desire to antagonize the committee; but I want to remind him that he certainly has no ground for criticism, first, because the reduction in his case is less than the reduction in quite a number of other cases, and that reduction will not, I will assure the gentleman, in any appreciable degree delay the development contemplated by the estimates.

Mr. SINNOTT. Mr. Chairman, will the gentleman yield there?

Mr. MONDELL. I do.

Mr. SINNOTT. The gentleman from Missouri [Mr. BORLAND] referred to new work. Are we to understand that new work is contemplated under these appropriations—new work on new units? I wish the gentleman would explain that.

Mr. MONDELL. I can not say that the committee laid down any hard and fast rule or adopted any particular policy with regard to any new projects. There is one small new project, very small, in the bill.

Mr. SINNOTT. Will the gentleman explain whether or not there are any new units, as distinguished from new projects, contemplated in the bill?

Mr. MONDELL. There are no new units, in the sense of units, not long since planned and proposed.

Mr. SINNOTT. I want to make myself clear on that. Are there new units, in the sense of units, on which money has not been expended heretofore in actual work on the ground?

Mr. MONDELL. There are several new units in the sense that the carriage ditches have not been built; but there are no new units in the sense that there are new areas taken up that already have not been obligated heavily under the projects. In all cases at least storage and diversion are under way or completed.

Taking up now in detail the projects where the estimates were reduced, I first desire to submit a statement of the various projects, the amounts estimated, and the amounts approved by the committee for each, with a statement of the reductions in each case in which reductions were made. It is as follows:

Projects.	Approved.	Estimate.
Salt River, Ariz.	\$590,000	\$590,000
Yuma, Ariz.-Cal.	725,000	934,000
Orland, Cal.	87,000	97,000
Grand Valley, Colo.	702,000	702,000
Uncompahgre, Colo.	469,000	469,000
Boise, Idaho.	1,650,000	1,692,000
Minidoka, Idaho.	410,000	410,000
Jackson Lake, Idaho-Wyo.	478,000	478,000
Garden City, Kans.	2,000	2,000
Huntley, Mont.	150,000	155,000
Milk River, Mont.	1,100,000	1,101,000
Sun River, Mont.	1,100,000	1,451,000
North Platte, Nebr.-Wyo.	1,140,000	1,248,000
Lower Yellowstone, Mont.-N. Dak.	70,000	85,000
Truckee-Carson, Nev.	236,000	236,000
Carlsbad, N. Mex.	128,000	128,000
Hondo, N. Mex.	6,000	6,000
Rio Grande, N. Mex.	1,265,000	1,369,000
North Dakota, N. Dak.	25,000	25,000
Lawton, Okla.	50,000	50,000
Umatilla, Oreg.	366,000	366,000
Klamath, Oreg.-Cal.	317,000	317,000
Belle Fourche, S. Dak.	144,000	144,000
Strawberry, Utah.	393,000	393,000
Okanogan, Wash.	51,000	51,000
Yakima, Wash.	1,250,000	1,283,000
Shoshone, Wyo.	478,000	478,000
Secondary projects	50,000	61,000
Total	13,430,000	14,776,000
REDUCTIONS UNDER ESTIMATES.		
Yuma	\$209,000	
Orland	10,000	
Boise	49,000	
Huntley	5,000	
Milk River	1,000	
Sun River	351,000	
North Platte	108,000	
Lower Yellowstone	15,000	
Rio Grande	104,000	
Yakima	33,000	
Secondary projects	11,000	
Oregon (cooperative) omitted	450,000	
		1,346,000
Total recommended		13,430,000

For the information of gentlemen who may become confused because of the difference of the classification of projects as estimated and as reported, I want to call attention to the fact that in some cases the storage system and the carriage and distribution systems of projects were separately estimated. The committee were of the opinion that it was not logical or wise

to separate the storage of a project from its irrigated areas, and wherever this had been done the committee combined them. For instance, the Milk River project in Montana and the St. Mary storage project were combined as the Milk River project. The Rio Grande project and the Elephant Butte storage project were combined under the title "Rio Grande project." The Yakima storage project, the Yakima-Sunnyside project, and the Yakima-Tieton project were combined under the title "Yakima project."

The reductions below the estimates were as follows:

YUMA PROJECT, ARIZONA AND CALIFORNIA.	
Estimate	\$934,000
Appropriation	725,000

This reduction of \$209,000 was made because it was believed that the total estimate of \$498,500 for drainage and flood protection would not all be needed during the fiscal year of 1916, if, in fact, so large a sum is needed for those purposes at any time. Of this \$498,500 for drainage and flood protection, \$137,000 is for drainage and \$361,000 for levees along the Colorado and Gila Rivers and for rock revetment for the levees already built. Should the reduction in this item of \$209,000 be considered exclusively as a reduction of the amount to be used for flood protection there still remains, after the reduction, \$152,000 for this class of work. This work, however, is only necessary in case of unusually high water, and Director Davis, of the service, informed the committee (p. 62, hearings) that the revetment would not be placed or needed except in case of high water. Gen. Marshall, in the hearing before the committee in the matter of the protection of the Imperial Valley, called attention to the fact that the change in the bed and course of the Colorado River below Yuma had reduced the high-water level of that stream in the vicinity of Yuma in the neighborhood of 7 feet. It is quite possible, therefore, that the amount needed for flood protection on this project in the future will be much less than has been anticipated. The large estimate for this work was, to a considerable extent, an insurance against possible contingencies. In view of the fact that the entire sum provided for this project could be used, if necessary, for this class of work and that 10 per cent of all of these appropriations may, in case of necessity, be used interchangeably, the committee did not believe it was wise to provide so large a sum for purposes for which it may not be needed during the fiscal year.

Mr. HAYDEN. Will the gentleman yield?

Mr. MONDELL. Yes.

Mr. HAYDEN. Do I understand, then, that the reduction of \$209,000 below the estimates on this project is only for work in the nature of levee protection in that connection?

Mr. MONDELL. The reduction was made on the theory that they could not or would not use as much as they estimated in the coming fiscal year for levee protection. However, of course the gentleman knows the money is made available interchangeably for any feature of the work.

Mr. HAYDEN. But that was the reason for the reduction.

Mr. MONDELL. That was what we had in mind in the reduction in this case, that as a matter of fact a considerable portion of the estimate was largely in the nature of a very safe insurance. Assuming that the cut was entirely on that item, which is only so as a matter of theory, there still remains for that particular work \$152,000, besides doing everything else that is contemplated.

ORLAND PROJECT, CALIFORNIA.	
Estimate	\$97,000
Submitted	87,000

One of the items in the detail of the estimate for this project was item 10—\$10,000 for preliminary investigations for the Stoney Gorge project, or unit. The committee doubted the advisability of making so large an expenditure for this new and entirely independent project, for it is, as stated by Mr. Davis (bottom of p. 65, hearings), absolutely new and independent, and in any event the propriety of making such an expenditure out of an appropriation chargeable to the Orland project may well be questioned.

BOISE PROJECT, IDAHO.	
Estimate	\$1,699,000
Allowed	1,650,000
Reduction	49,000

Among the items in the detailed estimate of this project is item 4: Drainage and flood protection systems, \$587,400 (p. 102, discussion and estimates). It is contemplated that \$100,000 of this shall be used to complete the drains contemplated in the Pioneer irrigation district. This work is well along and will be largely completed before these sums are available. The remaining portion is largely for drainage in the Nampa-Meridian district, where work is not yet begun. The committee were of

the opinion that even a larger reduction than that made could be made without in anywise interfering with the work contemplated on this project.

HUNTLEY PROJECT, MONTANA.	
Estimate	\$155,000
Allowed	150,000
Reduction	5,000

The largest single item of the estimate for this project is for "Drainage and flood protection," \$103,797. This sum is estimated as sufficient for the construction of 54,500 linear feet of tile drains and the excavation of 70,000 cubic yards of material. The officers of the service stated, "There is not sufficient information at hand to furnish general plans and location of the work covered by the drainage estimates." The estimate for this drainage work was clearly very liberal, and in all probability considerably more than will be needed. It might have been safely reduced even more than the \$5,000 reduction made by the committee.

MILK RIVER PROJECT, MONTANA.	
Reduction	\$1,000

This makes the appropriation an even \$1,100,000.

SUN RIVER PROJECT, MONTANA.	
Estimate	\$1,451,000
Allowed	1,100,000
Reduction	351,000

Among the items making up the total for the Sun River project is one of \$629,325 for storage works. With this sum it was proposed to proceed rapidly with the development of the Warm Springs Reservoir on the north fork of the Sun River with a view of securing a storage capacity of 106,000 acre-feet as a supplemental supply for lands on the north side of the Sun River. In the hearings it developed that the orderly and reasonable development of this project did not necessarily require that as rapid progress be made in the development of the Warm Springs Reservoir as was contemplated when the estimate was prepared. There is some water available from the ordinary flow of Sun River during the entire season, and Director Davis, of the Reclamation Service, stated that for a year or two, at least, and until all of the lands on the Fort Shaw unit were irrigated some water could be furnished from the Willow Creek Reservoir for the lands on the north side of the Sun River. At the rate at which it is anticipated the lands to be ultimately served by the Warm Springs Reservoir will be brought under cultivation, the two sources of supply named, to wit, the normal flow of Sun River and the available supply from Willow Creek Reservoir, will serve these lands for several years to come. In view of these facts the committee was of the opinion that the total estimate for this project might safely be cut \$351,000. This will still leave a sufficient sum to carry on all other features of the work as contemplated by the service and still leave \$278,325 for the development of the Warm Springs Reservoir. If, however, the service considered a larger sum necessary for this development, the necessary sums could be obtained by slightly reducing the amount proposed to be used on the carriage and distribution system. Under the conditions surrounding this project it is believed that the sum authorized by the committee is abundant for reasonable and proper development.

NORTH PLATTE PROJECT, NEBRASKA-WYOMING.	
Estimate	\$1,248,000
Appropriated	1,140,000
Reduction	108,000

One hundred thousand dollars of the reduction in this item is in the estimate for the carriage system of the Fort Laramie unit. It is believed that this is as large a sum as perhaps could be advantageously expended on the canals of that unit during the fiscal year. It was the opinion of the committee that the drainage and flood-protection item for the interstate unit might safely be cut \$8,000.

LOWER YELLOWSTONE, MONTANA-NORTH DAKOTA.	
Estimate	\$85,000
Appropriated	70,000

The item "Drainage and flood protection, \$37,110" for this project (discussion and estimates, p. 222) is believed to be larger than necessary, as only 100 acres of land are reported water-logged, and further water logging is more or less problematical.

RIO GRANDE PROJECT, NEW MEXICO-TEXAS.	
Estimate	\$1,369,000
Reduction	104,000
Appropriated	1,265,000

The work contemplated on this project under this appropriation includes the expenditure of \$428,000 for storage at the Elephant Butte Dam, the remainder being for carriage and distribu-

tion systems. These are in the Mesilla and El Paso Valleys on the Rio Grande, the first being above, the second below El Paso, Tex. In the Mesilla Valley the extension of the present system, built by the Reclamation Service, is contemplated. Also the construction of an additional diversion dam and main canals. With regard to these features of the work, the following statement is made by the Reclamation Service (discussion and estimates, p. 304):

As these features are provided for in the estimate for the fiscal year 1915, and as there is a possibility of their being constructed in that period, a portion of the distribution system is planned to be built in the fiscal year 1916.

The detailed estimates contained items totaling \$198,405 for work on the carriage system, which is already well under way and which will be largely disposed of before this appropriation is available. In view of these facts, and the further fact that the estimate is evidently quite liberal, and that all of the appropriation for this project and others is available, so far as needed, for any feature of the project, it is the opinion of the committee that a cut of \$104,000 can be made in the estimate without in any wise interfering with the steady and reasonable development of the project as contemplated.

YAKIMA PROJECT, WASHINGTON.

Estimate	\$1, 283, 000
Reduction	33, 000
Appropriation	1, 250, 000

Seven hundred and twenty thousand dollars of the estimate for this project is for the storage unit. It developed in the hearings that the estimate for this feature of the work for the year was probably quite liberal. For the distribution system of the Sunnyside unit of the Yakima project the sum of \$306,310 is estimated. It has been the policy on this unit to extend the distribution system, "as water-right application is made for lands to which delivery has not yet been built. On this basis it is believed the estimate for this work is quite liberal, as is also the estimate for the Outlook and Snipes Mountain pumping plants. Viewing all these matters together, it is believed that a larger reduction than that of \$33,000 made by the committee might have been made without seriously interfering with the development of this project.

SECONDARY PROJECTS.

Estimate	\$61, 000
Appropriated	50, 000

The committee is of the opinion that in the present state of the development of the projects already under way it is not necessary or wise to make very large expenditure in investigating new projects, and that the sum agreed upon is abundantly sufficient for this work.

OREGON COOPERATIVE PROJECT.

The estimate of \$450,000 for proposed cooperation with the State of Oregon was the only estimate entirely omitted. The committee was asked to drop the cooperative feature of this proposal on the ground that the State of Oregon had already appropriated and spent on an irrigation enterprise the sum of \$450,000, which it was originally intended should be used in cooperation with the Reclamation Service. The committee did not feel justified in approving this item, either with or without cooperation. To do so would amount to starting an entirely new project, and, what is even more objectionable, starting a project, or authorizing the Secretary of the Interior to do it, without any knowledge on the part of the committee of its size or character.

Mr. FITZGERALD. I yield 20 minutes to the gentleman from Kentucky [Mr. HELM].

Mr. HELM. Mr. Chairman, in these days of war and rumors of war the public mind is not in condition to be focused on a business proposition, but there never was a time when opportunity was knocking so loudly at the doors of this Government.

The commerce and business of a continent are within our grasp if we are keen enough to realize it and to grasp them. I think I am well within the limits of accuracy when I state that the manufacturing enterprises in Central and South America are very, very limited. Indeed, they are very, very few, and it is to this matter that I wish the attention of the country could be directed.

It is my further opinion that few if any of the Republics to the south of us have any means of transporting or delivering their products to any other country. If that is true, then while the facilities of the United States are limited, yet it is not wholly without them, and it has some means of delivering its products. Under existing conditions all the trade of Central and South America flows across the Atlantic Ocean, when that trade ought to be flowing from North America to Central and South America.

The best means—in fact, about the only means—of creating commercial and business relations is by means of banking facilities, transportation, press bureau, and mercantile agencies. It is true that under the Federal reserve act a bank with \$1,000,000 capital in the United States can establish a branch bank in any of these foreign countries in Central or South America. While I do not claim to be a financier, this provision, in my opinion, does not meet the conditions. What we need is a bank of sufficient proportions and magnitude and importance and prestige to handle the business of a continent. Furthermore, an Illinois bank will not do much business in Kentucky; an Iowa bank will not do much business in Indiana. There is a local touch to the proposition that must be met and dealt with.

We own the Panama Canal Zone. There is one strip of country in the region to the south of us that is going to be stable and steady as long as this Government endures. The government of the Canal Zone is going to be just as stable and steady as the Government of the United States. Now, if we establish a bank on the Canal Zone, what is the proposition right on its face? It gives it a birthmark, so to speak. It gives it a distinctive feature. It becomes identified with its locality. The stability and credit and prestige of our Government are behind this proposition. That guarantees confidence and makes it a sure go. These Governments to the south of us will be inspired with confidence in the institution.

Mr. MOORE. Will the gentleman yield?

Mr. HELM. Yes.

Mr. MOORE. While the Panama Zone was under discussion the question was raised whether or not we might not put the zone to some commercial or agricultural use, and gentlemen on the other side said there could be no use of the zone for agriculture, and others insisted that the project was not commercial, but entirely military. I am one of those who believe we might make some commercial use of the zone, but that has been already apparently settled by the law now enacted for the government of the zone. How can we establish such a bank as the gentleman favors?

Mr. HELM. That is what I am coming to. This is no new proposition, and it is not without merit. If it came from some Member who enjoyed a reputation—for instance, a banker from the great city of Philadelphia or the city of New York, a Wall Street banker—the proposition would be, perhaps, received differently from what it will be.

As I say, this is no new proposition. Back in the eighties—in 1887 or 1889—such a proposition was contemplated, and President Harrison approved of it. Secretary of State Blaine strongly advocated just such a proposition as this. We have appropriated \$100,000,000 or more for the Army. We appropriated about \$150,000,000 for the Navy. Let us do a little business while we are doing so much fighting. The Governments in Europe have been selling bonds by the billions for war; let us do a little business while they are fighting.

England, France, and Germany have Central and South America absolutely in their grasp for trade, and there is no reason in the world why we should not go out right now and capture it. We can do it. Here are some Panama bonds, the sale of which has been provided for; let us sell a few millions of bonds and start a bank. Let us start with twenty-five millions; let us have a good one while we are going into it. Let the Government own the majority of the stock—thirteen millions—and let it be under the control of the Federal Reserve Board and under the inspection of the Comptroller of the Currency. Let the remainder of the stock be offered to the public, so that whosoever will may buy; and if any Republic to the south of us wants to get in, let them have an interest. We will have the controlling interest and we will elect the majority of the directors.

It can not issue notes to circulate as money, thereby eliminating any possibility of expansion or contraction. It could have no possible motive to hoard money; lending money is as essential to the life of every bank as breathing is to an individual. It could have no greater power of centralizing or controlling money or credit beyond its capital stock and deposits than any other bank of equal capital and deposits possesses. The Federal Government has fostered the banking business ever since the enactment of the national banking act.

These countries need help worse than any people on the globe. Every country on the globe to-day is needing help, and the emancipation of these countries from London, Paris, and Berlin credits must come from the United States. They are worse paralyzed financially than we are; they can not move a peg; they are now trying to get credit in New York.

Now, I want to remind you, you New Orleans gentlemen, of something. It looked to me like New Orleans ought to have had a Federal reserve bank. Let us have a branch bank of this institution at New Orleans, for New Orleans is like the cities

of Philadelphia and New York; they are seagoing people and are in touch with the business world.

What is more, we have a wireless station on the zone, and it is possible to talk right now from this building to Colon. We have a cable laid there; and if this canal is going to be what we think it is, or anyway near what we think it is, the commerce of the world is going through there. Ships from all over the world are going to pass through that great highway. Big business—stupendous business—has got to move through the canal, and we must have a big bank to handle the business. Ancon is as much in touch with the balance of the world as any other center of business. You can telegraph, cable, or send wireless messages from Ancon as quick as you can from New York City. Of course there are not so many ships now as there are at New York, but there is not going to be very much difference in the near future, in my opinion. There is going to be a ship ready to go through there every time there is an opportunity for one to get in and get out.

Now, the balance of trade has been against the United States with the southern Republics. Sterling exchange is the only exchange known to them. They do not know what a United States Treasury note is, so little do they know about or come in touch with our method of doing business that you have to identify it. We buy a cargo of hides or wool in the Argentine, and how do you make your settlement? You buy a London draft. What does that mean? You have to take United States gold and deposit it in London. That takes away good reserve money and gives London the use of our gold; that gives them the interest on it and enables London to be the clearing house of the world. New York, in the United States, has the opportunity to be the clearing house of the world if we will only act and act promptly, strike while the iron is hot, make hay while the sun shines.

We buy coffee from Brazil, and we sell a few things to Brazil, but the balance of the trade, not only with Brazil but almost every South American country, is against us. We send our money to London; it is sent by draft to Brazil, and they send the draft back again; there is about 90 days or longer consumed in the transaction, and we are out the use of that money for that length of time.

Even though that banking business is adverse to us, yet if we could handle that adverse balance of trade as a banking proposition it would be money in our pockets.

Mr. MOORE. Mr. Chairman, will the gentleman yield?

Mr. HELM. Certainly.

Mr. MOORE. Can the gentleman tell us anything about the banking facilities that Great Britain and Germany have in respect to their relations with South America?

Mr. HELM. I can not speak as one who is fully advised, but, generally speaking, I think it is true that every country in South America has an English, a German, and a French bank, one or more. They are thick there; in fact, about all the banking business done is done by those countries. I think I am absolutely correct when I say that there is but one United States bank south of Panama.

Mr. MOORE. Is it not a fact that the South American people have very little knowledge of American banking methods, and do have a great deal of knowledge and confidence in the banking methods of Great Britain and Germany?

Mr. HELM. I have just stated that they do not know a dollar when they see it. They do not know United States money when they see it. They do not recognize or honor a draft on New York. So little do they circulate there.

Before the outbreak of the European war our exports to Central and South America were decreasing, while our imports were increasing. This condition has been more marked since the outbreak of this war. Our exports in 1913 amounted to \$323,775,885; in 1914 to \$282,070,153; while our imports in 1913 amounted to \$442,419,973, and in 1914, \$469,082,667; showing a trade balance against us for 1913 of \$118,644,088, and in 1914 of \$187,012,514.

How to divert this flow of trade current in our direction is one of the problems of the immediate future and is a matter of much interest and concern to us.

A bill (H. R. 21160) to incorporate the Pan American Bank.

Be it enacted, etc., That this act shall be known and may be referred to as the "Pan American Bank act."

SEC. 2. That there shall be established a bank to be known as the Pan American Bank, which shall have its principal office at Ancon, in the Canal Zone, and may have branch offices elsewhere.

SEC. 3. That the United States Government, acting through the Federal Reserve Board, shall subscribe to the capital stock of the Pan American Bank hereafter organized under this act upon the terms and conditions herein mentioned.

SEC. 4. That the powers of the Pan American Bank shall be substantially those of a national bank, except as modified by this act, or in so far as the provisions regarding national banks may not be applicable to the bank organized under this act.

SEC. 5. That the capital stock of the bank hereby established shall be fixed at \$25,000,000, divided into shares of the par value of \$100 each.

SEC. 6. That the United States Government, through the Federal Reserve Board, shall subscribe for 130,000 shares of the capital stock of said bank at par, and for this purpose the Secretary of the Treasury, upon request of the Federal Reserve Board, shall issue and sell any of the bonds of the United States under the act of August 5, 1909, the act of February 4, 1910, and the act of March 2, 1911, relative to the issuance of bonds for the construction of the Panama Canal; the remaining 120,000 shares of the capital stock of said bank shall be offered for public subscription.

SEC. 7. That the Pan American Bank may begin business as soon as \$13,000,000 of said stock has been subscribed and paid for by the United States Government, and shall have succession for a period of 20 years from its organization, with the right to extend its period of succession an equal number of years unless sooner dissolved according to the provisions of the national-bank act, or until its franchise becomes forfeited by some violation of law.

SEC. 8. That the board of directors shall consist of seven members, the majority of whom shall be appointed by the Federal Reserve Board; the minority directors shall be elected by the stockholders, except the United States Government shall not participate in their election. The board of directors shall appoint a president, vice president, cashier, and other officers, define their duties, and in its discretion require bond of them, dismiss such officers or any of them at pleasure, and appoint their successors to fill their places.

SEC. 9. That the Pan American Bank hereby incorporated shall not issue notes or obligations in any form to be used and circulated as money.

SEC. 10. That any moneys held in the general fund of the Treasury, except the 5 per cent fund for the redemption of outstanding national-bank notes and the funds provided for the redemption of Federal reserve notes, may, upon the discretion of the Secretary of the Treasury, be deposited in the Pan American Bank, which bank, when required by the Secretary of the Treasury, shall act as fiscal agent of the United States; and the revenues of the Government or any part thereof may be deposited in said bank and disbursement be made by checks drawn against such deposits.

SEC. 11. That the Pan American Bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by the Federal reserve bank act made eligible for rediscount, with or without indorsement.

It shall also have power—

(A) To deal in gold coin and gold and silver bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of bonds of the United States or foreign countries, or other securities which Federal reserve banks are authorized to hold;

(B) To buy and sell, at home or abroad, bonds and notes of the United States or foreign Governments, and bills, notes, revenue bonds, and warrants issued in anticipation of the collection of taxes or in anticipation of the receipts of assured revenues of any State, county, district, political subdivision, or municipality in the continental United States or foreign Governments, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

(C) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

(D) To establish accounts with banks for exchange purposes and to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries whereover it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions.

SEC. 12. That loans may be made by the said bank, with the consent of the Federal Reserve Board, on real estate in any foreign country in which a branch bank has been established, to the extent of 25 per cent of the capital stock set aside for the business of said branch bank, or one-third of the time deposits held by said branch bank.

SEC. 13. That branches may be established, with the consent of the Federal Reserve Board, in the United States or in any of the countries of South and Central America, including Mexico and the West Indian Islands.

SEC. 14. That before the Pan American Bank establishes in foreign countries branches which may act as fiscal agents of the United States, the place or places where such branch is proposed to be established and the amount of capital set aside for the conduct of its foreign business shall be first approved by the Comptroller of the Currency, and said branch bank shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and he may order special examinations of the said branches at such time or times as he may deem best. Every such branch shall conduct the accounts of each branch independently of the accounts of other branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item.

SEC. 15. That it shall be the duty of the Comptroller of the Currency and the Federal Reserve Board, and they shall have the authority, to examine the Pan American Bank and its branches in the manner provided by section 21 of the Federal reserve act.

SEC. 16. That the stockholders of the Pan American Bank shall be held responsible for all contracts, debts, and engagements of such bank, each to the amount of his stock therein, at the par value thereof, in addition to the amount invested in such stock. The stockholders in said bank who shall have transferred their shares or registered the transfer thereof within 60 days next before the date of the failure of such bank to meet its obligations, or with knowledge of such impending failure, shall be liable to the same extent as if they had made no such transfer, to the extent that the subsequent transferee fails to meet such liability; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

SEC. 17. That any person committing any offense under this act, the Federal reserve act, or any other act relating to the powers and duties of banks or bank officers, where the acts constituting such offense were committed wholly or in part outside of the jurisdiction of the United States, may be prosecuted and tried in the district in which he may at any time be apprehended, and the time after the commission of the offense during which he was outside of the jurisdiction of the United States shall not be included in computing the running of any statute of limitation of prosecutions or actions.

SEC. 18. That the Pan American Bank may go into liquidation in the manner prescribed by law for the liquidation of national banking associations, in so far as the provisions relating to liquidation thereof may be applicable to the bank incorporated under this act.

SEC. 19. That if for any violation of law its franchise should be subject to forfeiture, the proceedings thereunder shall be the same as in case of forfeiture of the franchise of any national banking association.

SEC. 20. That if any clause, sentence, paragraph, or any part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or any part of this act thereof directly affected by the controversy in which judgment shall have been rendered.

SEC. 21. That the right to annul, alter, or repeal this act is hereby expressly reserved.

The bill has been drawn with a view of attracting business and of doing business. Complete control and ample visitorial powers are vested in the Federal Reserve Board and the Comptroller of the Currency. The vast credit of the United States is behind the institution to inspire confidence, stability, and prestige, and would be an inducement to the Governments of Central and South America and the West Indian islands to promptly sanction the establishment of the branch banks provided for in the bill and to become stockholders in the institution.

It reports to Congress and is at all times subject to examination.

The principal place of business is Ancon, on the Canal Zone, which stamps it as the distinctive feature of the bank to meet the Republics to the south of us halfway. It is the outgrowth of the South American financial situation resulting from the European war. It is a movement for the Western Hemisphere to get together and stand together. The canal promises to be the converging point of all over-sea ships as well as those plying between North and South America, and is equipped with ocean cable and wireless stations, all of which put it in as close touch with the world as any other business center on the globe. The canal will be a lodestone for business of the greatest volume and magnitude and is a logical location for the bank, with a branch at New Orleans or New York.

The commercial tie-up resulting from the European war convinced everyone that foreign trade is a vital element in our domestic prosperity and that the continents of North and South America have a greater identity of interest than was ever realized before; the countries of these continents had been made to feel the importance of increasing the commercial intercourse between them which has been retarded by lack of adequate banking facilities and means of exchange.

Trade revival for the southern Republics must emanate from the United States.

The United States must convert more of its raw material into manufactured articles and go after the trade now dominated by Europe. All trade balances are made through London, hence the balance of credit is greatly against us. We are compelled to keep large gold balances in London to meet these difficulties. This not only takes gold out of the United States, but loses us interest, credit balances, and reserves. New York bills on South American banks have been penalized by almost prohibitive cost on London exchange.

The foreign bonded debt of South American Republics is about \$1,632,488,580; the bulk of this is financed in London. The preponderating influence of the holder of a mortgage lien is fully understood by bankers. The banking business of South America is conducted by British institutions. This has made sterling instead of dollars credits of the South American trade. Exports and imports are shipped direct. Payments for both are made almost exclusively in sterling bills of exchange.

The bill supplies the new credit machinery for establishing a merchants' "cooperative exchange," or clearing house, for South American trade by matching credits, supplies the means of bringing together the North and South American exporters and

importers, standardizes credits, affords a means of reaching an agreement as to rates of exchange between South American currency and United States dollars, furnishes the indispensable information as to seasonal variations of shipments, customs duties, means and rates of transportation, pilotage and harbor charges, fulfilling the function of a much-needed bureau of information, indispensable to the acquisition of a business footing and standing.

Recent attempts to establish direct exchange by branch banks authorized in the Federal reserve act have not been successful, because the credits available have been wholly inadequate.

Our consular agents for Central and South America should be selected from Porto Rico whenever it is possible to do so; furthermore, those Porto Ricans who are familiar with our business methods would be the most efficient representatives of North American firms doing business in those countries because of their knowledge of the languages and customs of the people with whom we are seeking to establish intimate commercial relations.

REPORT AND RECOMMENDATIONS OF LATIN-AMERICAN TRADE COMMITTEE.

[Appointed by the Hon. W. C. Redfield, Secretary of Commerce of the United States, pursuant to resolution of the informal Latin-American trade conference at Washington, Sept. 10, 1914.]

Industrial, commercial, and financial conditions throughout the world have been disorganized by the European war. The trade of the United States with Latin America has been seriously affected. The present period of confusion will, however, be succeeded by one of readjustment and reorganization. Your committee was appointed to investigate this situation, and to suggest measures to relieve the emergency and to place the trade of the United States with the sister Republics on a permanently satisfactory and mutually profitable basis.

The products of Argentina, Brazil, Chile, and Peru, exported to the United States differ each from the other, and are dissimilar in turn from those which we in this country import from Bolivia, Colombia, Ecuador, Paraguay, Uruguay, and Venezuela, from the Central American States, and Panama, from Mexico and from Cuba, the Dominican Republic, and Haiti. These products, for the purposes of this analysis, may be considered together as raw materials, just as the goods which we export to these countries may be classified as manufactures. Mutual advantage for both the United States of America and the other Republics lies in a wider interchange.

In a properly comprehensive report the trade of the United States with each of the Latin-American Republics should be separately considered. We realize that in each case the problem is different and demands an individual solution. In general, however, this trade rests solely on exchange of commodities; that it has, in its essentials, been barter, with a settlement of balances through London, and has not been built up by extensive investment of foreign capital, as has been the case with British and German trade.

The accompanying report deals with certain underlying principles applicable to our Latin-American trade as a whole. We feel that recognition of basic facts affords the only proper basis for meeting problems which, while they differ in the several countries, are nevertheless fundamentally the same.

Your committee feels that articles recently appearing in the press regarding commercial opportunities in Central and South America have unduly emphasized the promising aspects thereof, and have, in most instances, failed to state that our exporters already doing business with these regions find that their sales have been decreased rather than increased owing to the war.

Your committee recognizes the present time as one when competition is less effective than in the past and than it will be in the future, until European bankers, merchants, and manufacturers recover from the effects of the war.

Your committee, moreover, believes that an opportunity is now afforded to place the trade of the United States with other American nations upon a firm foundation, supporting a more comprehensive structure, which may be built as the situation again more nearly approaches normal.

Your committee feels, however, that there is great danger that our merchants and manufacturers unfamiliar with Latin-American conditions may be induced by recent publicity to undertake ventures in that field which not only will be unremunerative, but actually disastrous, and, in their ultimate result, make for a reaction of the very healthy and much to be desired interest in foreign trade now manifest throughout the United States, an interest which if properly directed should be of great permanent value.

SOUTH AMERICAN TRADE CONDITIONS.

The trade of the principal South American countries with England, Germany, and the United States is shown by the following table:

Imports and exports to the South American countries from and to England, Germany, and the United States for the years specified.
[Compiled by the Bureau of Foreign and Domestic Commerce, Department of Commerce, from official reports of the respective countries.]

Countries.	Year.	England.		Germany.		United States.	
		Imports.	Exports.	Imports.	Exports.	Imports.	Exports.
Argentina.....	1913	\$126,305,556	\$116,154,937	\$68,815,721	\$55,888,788	\$59,861,703	\$22,096,385
Brazil.....	1912	77,509,079	43,006,473	52,945,352	51,856,965	48,043,322	141,720,216
Chile.....	1912	38,599,282	55,340,706	33,189,070	28,321,776	16,806,341	24,526,811
Peru.....	1913	7,779,616	16,561,235	5,138,902	2,970,857	8,541,934	14,761,355
Ecuador.....	1911	12,835,854	986,148	2,385,758	2,139,552	2,591,629	3,190,069
Uruguay.....	1912	12,575,508	6,508,127	17,849,094	7,860,272	15,638,402	2,655,371
Paraguay.....	1912	12,295,248	799	11,500,958	2,843,459	2,304,888	2,590
Colombia.....	1912	7,838,878	24,376,182	24,201,125	21,854,211	27,612,037	15,832,882
Venezuela.....	1913	3,994,733	767,031	2,586,986	5,563,768	6,944,136	8,470,563
Bolivia.....	1912	3,528,042	26,044,974	6,423,802	4,357,101	1,787,321	152,583

¹ Figures are for 1911 and are taken from the Almanach de Gotha.

² Figures taken from U. S. Daily Consular and Trade Reports.

³ Figures are for 1911 and are taken from Pan American Union publication.

The above figures show that exports from Great Britain and Germany to South America considerably exceed imports from that region.

This balance in favor of Europe may, in a measure, be explained by the fact that proceeds of loans issued by the South American Governments in Europe are remitted, not in cash, but in goods.

AMERICAN EXPORTS CONCENTRATED.

Our export trade to South American countries particularly, and to a lesser degree the Central American States, is concentrated. It is estimated that 75 per cent of our principal exports to South America are the products of large organizations. Our principal exports to the River Plate may be roughly stated to consist of agricultural machinery and allied products, steel products, oil products—kerosene, gasoline, etc.—and printing paper of various kinds. Our exports to Brazil, Chile, and Peru are largely limited to steel and oil products, locomotives, and electrical machinery. Our trade in cotton cloths, shoes, stockings, wearing apparel, and miscellaneous goods has not made up an important part of the total because of our unwillingness or inability to meet British and German competition.

Even before the war our export trade to all Latin America, and notably South America, had begun to decrease on account of the prevailing financial stringency. Our imports, however, increased in value, and the trade balance adverse to the United States for the fiscal year 1913-14 greatly exceeded that of 1912-13 both for all Latin America and for South America alone.

The accompanying table shows the distribution of this trade:

	Exports.		Imports.	
	1913	1914	1913	1914
Central America, West Indian Republics, and Mexico.....	\$177,627,892	\$157,530,244	\$224,685,344	\$246,405,592
South America.....	146,147,993	124,539,909	217,734,629	222,677,075
Total.....	323,775,885	282,070,153	442,419,973	469,082,667

Trade balance adverse to the United States.

	1913	1914
In trade with Central America, West Indian Republics, and Mexico.....	\$47,057,452	\$88,875,348
In trade with South America.....	71,586,636	98,137,106
In trade with all Latin America.....	118,644,088	187,012,514

EFFECT OF THE WAR ON SOUTH AMERICAN COUNTRIES.

Since August 1 of this year the countries in South America whose currency is not already on a gold basis have experienced a serious depreciation of their paper money.

The export of copper, tin, nitrates, coffee, and other products has been curtailed because of loss of the normal European markets. As indicative of financial conditions, bank holidays and moratoria were declared at the outbreak of hostilities, which were extended in certain countries from 60 to 90 days. The effect has been damaging to American exporters, as, under such circumstances, drafts due in August will not be liquidated until November or December. This means a large accumulation of draft indebtedness never contemplated by the shipper. Specie payments were suspended.

Collections throughout South America, therefore, are difficult, orders are falling off, and after our exporters have completed their contracts for this year there seems less prospect for new business, unless steps are taken to relieve the situation.

DIFFICULTIES OF SETTLEMENTS FOR SOUTH AMERICAN TRADE.

Since the balance of our trade with South America is heavily against the United States, there should be exchange facilities which would enable our exporters to obtain payment from balances created in New York in settlement for goods imported into this country from South America.

Such balances, however, are not maintained in this country.

The external debt of the South American Republics (Federal, State, and municipal) amounts, approximately, to \$1,632,488,580. The bulk of those funds were borrowed from Great Britain. South America therefore invariably has payments to make in London.

The greater part of South American banking business, moreover, is conducted by British-owned institutions. These facts, together with the facilities offered by the London discount market, have induced German and other European-owned banks trading in South America to maintain London agencies. Sterling credits, therefore, have been the basis of South American trade.

Our exports to and imports from Latin America are shipped direct. They are, however (almost exclusively in South American trade and largely in Central American trade), paid for in sterling bills of exchange.

United States exporters have in the past converted their dollars into sterling at the rate of the day, drawing against their South American customers at 90 days' sight, payable in 90 days' bills on London. Importers have accepted 90 days' sterling bills, which they have liquidated at the current rate of exchange. This has necessitated the conversion of dollars into sterling in the United States and a reconversion in South America from sterling into the currency of the buying country.

Thus, although the balance of the South American trade of the United States has been increasingly heavy against this country, we do not make settlement direct. We have been obliged, either by the shipment of gold or goods, to settle this adverse balance by remitting to England either gold or goods to meet interest charges on the South American debt and to pay for goods purchased in Europe by the South American countries.

Recent attempts to establish direct exchange with South America have not been successful in relieving the trade congestion incident to the dislocation of London exchange. A few New York banking institutions have been ready to extend accommodation to American exporters, but the credits available have been wholly inadequate. This fact, together with the difficulty of making collections in South America, has seriously embarrassed our exporters, while our importers, finding it practically impossible to dispose of New York bills to bankers in South

America, have been penalized by the almost prohibitive cost of London credits.

PRESENT PROBLEMS.

(1) Because of the war the Latin-American countries are confronted by the necessity—

(a) Of marketing their products despite the shrinkage of world purchasing power.

(b) Of obtaining funds to move crops and to continue indispensable industrial and agricultural development normally financed by Europe.

(2) The United States is confronted—

(a) By the necessity of holding its normal export trade with Latin America.

(b) By the possibility of increasing that trade by filling Latin-American needs for merchandise hitherto purchased in Europe, which Europe can not now supply.

The solution of these problems depends upon—

(1) Production.

(2) Transportation—Shipping and insurance.

(3) Financing: (a) Of production, (b) of transportation, (c) of settlements.

Production in the United States can be maintained if there be a sufficient market at home and abroad for American goods. Production in South America may continue, but can not be further developed unless financial assistance be obtained.

At the present time steamships are available and sailing regularly from this country to the principal ports of Latin America and from those ports to the United States. Many of these vessels are unable to obtain full cargoes. Although only a limited number are under the United States flag the above will clearly indicate to exporters, importers, and manufacturers that they need not hold back from entering the field on this account.

Before trade can resume its normal course the exchange problem must be solved either by the restoration of old or by establishment of new credit facilities.

NEW CREDIT MACHINERY NEEDED.

Old methods may no longer be serviceable in the situation which will result from the readjustment following the war. It should now be possible, indeed, in the mutual interest of the Latin-American Republics and ourselves, to create new credit machinery to perform the functions of the old, and which will at the same time rid us at least partially of a dependence upon the London credits and European financial markets, which, though essential in the past, has proved to be seriously embarrassing.

Deprived of the European loans with which their resources were being developed, Latin-American countries are now undergoing a serious curtailment of industry and development. The consequences in many instances will be serious, not only to these countries themselves, but also to the countries which expected to supply the materials.

It has been increasingly the practice of European bankers to stipulate the use of European material in the projects which they financed. Latin America is now turning to the United States for funds. This country is hardly in a position to undertake considerable investments at the present time, but industries with an already considerable trade at stake may well consider the necessity of protecting that trade by obtaining for their customers some relief from the present stringency. Such investments, if judiciously made, would yield an ultimate fair return and meanwhile provide a market for American materials which can not now be sold.

The question of creating a market for Latin-American securities in the United States, therefore, is highly important. The development of our trade with those countries is largely dependent on its satisfactory solution.

ESTABLISHMENT OF COMMERCIAL CREDITS MOST IMPORTANT.

Unless the restriction of commercial credits be remedied, however, we will not only be unable to extend our trade, but we will lose a considerable portion of that which we already have.

The present effort to secure cooperation of American bankers in massing a gold fund to satisfy our obligations abroad by promising to cause London exchange again to approach normal will lessen to the American importer the expense of liquidating in London his South American indebtedness. It will nevertheless give effect to the old alienation of the selling power we should derive from purchases of South American products. Liquidation of our South American indebtedness in London will pay for British exports to Latin America at a time when American merchandise, intimidated by moratoria, remains congested on our docks. Our available money will serve Great Britain's effort to capture South American markets vacated by Germany.

Whenever there is a great disturbance of the world's finances American exporters and importers in South American trade are injured because of the dependence on London. This has happened four times in 25 years.

So long as South America must meet interest settlements in London by shipment of goods to the United States, under the old three-cornered system our South American trade must to a certain degree depend upon London exchange.

But in view of the facts above mentioned it has seemed to your committee that the need for independence, emphasized by the present situation, should be recognized. We feel that an attempt should now be made to evolve some plan whereby we might take advantage of our large direct trade with Latin America to make a market for bills drawn in dollars and establish a direct exchange, not with the view to eliminating sterling credits now or later, but in order to provide an exchange channel which will supplement, offset, or compete with London and be available in an emergency when London exchange is disorganized.

The maintenance of exchange relations depends on a credit machinery and reciprocal balances. This machinery will partially be provided under the Federal reserve act, which permits American banks to open branches abroad and permits a rediscount in this country of commercial paper, based on shipments of commodities in foreign trade. These steps, however, have not yet been effected, and your committee, appreciating that the installation of this machinery may require considerable time, has considered means for temporary relief.

COOPERATIVE EXCHANGE AS EMERGENCY MEASURE.

A plan for the establishment of a merchants' "cooperative exchange" or clearing house for Latin-American trade has been proposed. This, it has been suggested, would enable importers and exporters of goods to and from Latin America to watch credits, balances to be remitted on certain definite settling dates. The chief argument for such an institution is that it would bring together exporters and importers, among whom there is now no cohesion. Both know their cash requirements each month. If the exporters require, say, \$5,000,000 to pay for their

October shipments to Brazil and the importers a like amount to pay for their imports from Brazil, such an exchange might be able easily to liquidate transactions in New York.

The plan, however, is open to serious objection for the following reasons:

- (1) The necessity and difficulty of securing the cooperation of a sufficient number of importers and exporters.
- (2) The necessity and difficulty of standardizing credits.
- (3) The difficulty of reaching an agreement as to the rate of exchange between South American currency and United States dollars.
- (4) The difficulty due to the seasonal variations of shipments of South American produce and the consequent fluctuation in the demand for balances in New York or South America.
- (5) The disorganized financial situation in South America, which increases the risk in securing settlements in the South American Republics.
- (6) The necessity of creating and maintaining an expert and, therefore, expensive organization.

The difficulty as regards South America, however, would still remain, for it would be impossible within any reasonable time to organize in the principal cities of South America sufficiently extensive cooperative associations of importers and exporters of American products.

Standardization of South American credits, therefore, could only be secured by the guaranty of American shippers or importers, or by the guaranty of the South American Governments themselves.

Your committee, therefore, after careful consideration, feels that the suggested "cooperative exchange" would not be practical, although a powerful banking group or large banking institution willing to assist in maintaining and developing our Latin-American trade might be able to secure and render mutually beneficial the organized cooperation of exporters and importers in matching credits.

RECOMMENDATIONS.

Your committee, however, believes that the extension of credits might be facilitated and some relief afforded pending the establishment of the Federal reserve banks if, in addition to permitting national banks which have signified their intention to enter the reserve associations to accept commercial paper, action to be taken by the Federal Reserve Board to make immediately effective the rediscount provision of the new banking system, thus assuring early establishment of a discount market.

Your committee, while appreciating the necessity of conserving the banking resources of this country for the protection of our domestic situation, nevertheless believes that the cessation or curtailment of our trade with Latin America will in itself be highly injurious to American industry, just as we believe that the extension of this trade would make for the prosperity of the country at large, as well as of those directly interested. We therefore hope that American banking institutions may be induced to meet the present emergency, not by tentative and inadequate measures, but by extending accommodation sufficient at least to assure the maintenance of our already established trade.

EXTENSION OF TRADE.

The question of extending American commerce with Latin America depends primarily, as does the problem of maintaining our trade, upon the establishment of commercial credits, upon our ability to finance Latin-American enterprise, purchase the products of its soil and industries, and upon the perfection of our selling machinery.

Your committee has not attempted to formulate suggestions as to the manner in which the individual manufacturer should proceed to establish a market for his products in South America. Nor does it here dwell upon the importance of adaptation of the product to the needs of the market or proper packing. Too high praise can not be given the Government, particularly the Department of Commerce under the Hon. W. C. Redfield, for its effective propaganda on these essential points and for its efforts adequately to assist extension of our foreign trade.

The enlightened services of the Pan American Union in safeguarding good understanding among the Republics of the Western Hemisphere and in making its information and advice available to all affected by the commercial problems arising at this juncture are worthy of the warmest commendation.

CAUTION NOW ADVISABLE.

Your committee feels, however, that merchants and manufacturers now contemplating an entry into the Latin-American field should be careful to avail themselves of the easily accessible information concerning these markets. It is suggested that they should at the outset remember that the cost of maintaining individual representatives would probably be too great for any one of them to bear themselves. It is therefore suggested that associations consisting of the smaller firms or corporations engaged in kindred lines of production might be formed, and that either one or more representatives should be sent to South America to look after the interests of such associations, thereby bringing the cost of representation within a reasonable limit.

It has been suggested that American manufacturers should combine to send to South America trade exhibits showing the various articles which they have for sale. Your committee, however, is not inclined to feel that such measures would be productive of any permanent results. It is suggested instead that manufacturers and dealers desiring to place their products in Latin America, and who, for any reason, prefer not to send their own representatives there, could establish connections with export houses already doing business in those countries and maintaining large branch offices in the principal South American cities fully equipped with efficient sales organizations or who have established connections, and in certain lines of goods—foodstuffs, notions, and miscellaneous articles—join in establishing what might be called, for want of a better name, an "American store" in certain of the most important cities.

Ventures of this sort, however, require considerable capital and experienced men, and for the sake of the ultimate development of mutually beneficial commercial relations with Latin America it is believed that our merchants and manufacturers should not attempt to install their own establishments in Latin America unless they are prepared to meet initial losses and disappointments before realizing even moderate profits in what must necessarily be a developing rather than a ready-made business.

Your committee begs, therefore, to summarize the results of the investigations and to state its belief that the present disorganization of the trade of the United States with Latin America may best be remedied and placed on a permanently satisfactory basis as follows:

1. The establishment of a dollar exchange.
 - (a) By the ultimate creation of a discount market.
 - (b) Pending the establishment of a discount market, by the extension of adequate accommodations by banking institutions, and the establishment of reciprocal balances in the United States and in Latin America for financing Latin-American trade.

2. Perfection of our selling machinery.

- (a) By furnishing additional support to commission houses already familiar with Latin-American business.
- (b) By forming associations of merchants and manufacturers to be jointly represented in Latin America.
- (c) By obtaining information as to the possibilities of developing retail stores in large Latin-American cities.

THE WORLD RACE FOR THE RICH SOUTH AMERICAN TRADE.

A COMPETITION FOR COMMERCIAL SUPREMACY IN WHICH THE UNITED STATES IS PITTED AGAINST GERMANY, GREAT BRITAIN, AND ITALY, AND IN WHICH WE ARE HANDICAPPED BY LACK OF BANKING FACILITIES, BY MEAGER SOURCES OF CORRECT NEWS, BY INADEQUATE KNOWLEDGE OF CONDITIONS, AND BY MISDIRECTED TRAINING OF OUR TRADE REPRESENTATIVES—THE NEED OF YOUNG MEN TO GET THE BUSINESS FOR US—A SURVEY OF THE EFFECTS OF THE PANAMA CANAL UPON SOUTH AMERICA, AND A STATEMENT OF OUR UNPREPAREDNESS FOR A GOLDEN OPPORTUNITY.

[By Charles Lyon Chandler, of the American Consular Service.]

There are many barriers against American trade expansion in South America and many handicaps which American investors to-day have to overcome. But perhaps the most important are these: We need in South America American banks, American young men, a better-informed press, and our investors there need better labor; that is, cheap, dependable labor.

There is not an American bank south of Panama. Here are two examples of what this means to American business:

Shortly after I had taken up my residence in Buenos Aires I went with a friend, a representative of one of the United States Government executive departments, to the cashier's window of a foreign bank in South America to have a Treasury draft cashed. The draft was literally thrown back in my friend's face. It took him three days to secure the money on that draft. Think of it! Uncle Sam's check so strange a thing in South America that a bank would not take it.

But that is simply the picturesque side.

I knew a young American, Herbert Leonard, who had come to Callao while I was connected with the consulate to represent an American tin-roofing manufacturer. There was a wealthy rancher at Callao, Elogio Castro, who owned a ranch about the size of the State of Delaware. The order for the tin roofing for all the sheds and shacks on that ranch was a choice morsel, and Leonard spent many days cultivating the acquaintance of the wealthy don.

Finally, in the midst of a two hours' conversation one day, the rancher let fall a dozen words which made Leonard certain that he had not spent his time in vain, and that the order was his. To make a tedious Spanish tale short in words, Leonard quoted prices for the roofing and waited for Don Elogio to send in his order. After several days of delay there came, not the order, but a courteous note, stating that Señor Castro regretted that he could not place his order with the Señor Leonard, as he most assuredly desired to do, because the Señor Leonard had quoted him prices considerably higher than those which he had quoted to several other purchasers in Callao and Lima. Señor Castro ended his letter with a list of the names of those other purchasers.

Of course, Leonard sold his goods, as do all salesmen, on a sliding scale of prices. His quotations necessarily varied according to the size of the order and the grade of material. To dealers he quoted discounts. Then, too, he had a certain margin to meet competition. His price to Don Elogio was fair if viewed in this light, but the don cared nothing for the reasons why Leonard should charge him one price and some other buyer another.

Leonard dropped in at the consulate that afternoon and showed me the letter. "It gets me," he said. "I know that he might have got one of my customers to tell him my price, or, maybe, two of them. But how he got the whole list is more than I can figure out."

He and I studied the matter for weeks. Finally we located the leak. The bank that Leonard dealt with copied every invoice, every scrap of paper, that related to his business. Don Elogio and half the other prominent men in the town were directors of the bank; consequently all of Leonard's invoices were at their disposal, and his business became public property. Moreover, there was no way for him to escape the trap, much less to retaliate. The whole banking business of the city—and the same would have been true of any South American city—was absolutely controlled by interests opposed to his own. He must either place himself in the hands of his purchasers or else in the hands of his trade rivals, for those banks that were not controlled by South Americans were in the hands of citizens of European countries competing directly with Americans.

Why, then, you may ask, have we no banks in South America? Mr. Samuel McRoberts, vice president of the National City Bank, of New York, says that all that is needed to cause American bankers to establish branches in foreign lands is for Congress to amend the law to permit American national banks to operate there. Recently the National City Co. sent Mr. William Morgan Shuster, formerly treasurer general of Persia, and two associates to South America to study the South American field with a view to the betterment of American banking connections there. Since the National City Co. operates in a wider field than a national bank, it may find a way to overcome the handicap placed against American bankers in foreign countries by our antiquated banking laws. But there will still be the imperative need for an amendment of our banking laws by Congress, so that all our banks may be free to enter this new field.

It is currently reported in South America that one chain of banking organizations sends copies of every invoice in its hands—and a good many of these invoices are from American customers—to the head office of the bank in one of the European capitals for the information generally of exporters in that country. That country is one of America's largest competitors in the world's market. Surely, any American exporter can realize what an advantage it would be to him if he knew every price quoted by every French, English, German, and Italian firm to every South American buyer. This practice can hardly be condemned if we Yankees refuse to do our own banking.

Another phase of the situation is this: The more heavily we finance our foreign commerce with our own capital the sooner we become a creditor nation. The development of new countries is dependent upon creditor nations to finance their growth—to build railroads, canals, and wagon roads, to found factories and other industrial institutions, and, above all, to take up the issues of national and local bonds. There is no part of the world of which it would be more advantageous for us to become a creditor nation than Latin America. If we do this, we will be an integral part of the growth of those countries, and, controlling the financial supplies furnished, we will secure a prior lien, as it were, on its future prosperity and on its busi-

ness generally. This is the chief argument in favor of that promotion of big business in South America which the State Department has recently taken up under the "dollar diplomacy."

The big business, the loans we are floating, and the railroads we are building in South America to-day are substantial bowlders which will hold open against the attacks of our trade rivals the door of commercial opportunity in South America for the small exporter. But England, France, Germany, and even Holland have so far anticipated us in this respect as to make it problematical to many at first sight whether an American banking institution there would stand the strain of competition with those which have been for 50 years established in the field. This doubt, however, is quickly dissipated when the volume of our commerce in South America is considered. We have the commerce, and that is the essential warrant for the existence of a bank. In one decade, from 1901 to 1911, our exports to South America increased 288 per cent. In that period the total trade of South America increased somewhat more than 150 per cent. To-day the Argentine Republic stands ninth among our customers; in 1900 she was fourteenth. Brazil stands thirteenth; 10 years ago she was sixteenth.

The bulk of our investments in South America also indicates the possible success of an American bank in this field. We have \$30,000,000 in mines and other properties in Peru; \$20,000,000 in packing plants in Argentina; \$15,000,000 in packing plants and railroads in Uruguay; to say nothing of our capital in Colombia's banana plantations and mines and in Venezuela's asphalt fields. Ecuador's railroads are under American control. A Harvard graduate manages the electric and power plant of Rio de Janeiro.

The banks of other countries in South America show large earnings. The London & River Plate Bank not long ago paid a dividend of 20 per cent and the London & Brazilian Bank a dividend of 17 per cent. The British Bank of South America and the Anglo-South American Bank paid 15 and 10 per cent, respectively, and the "melons" of the banks of other nationalities were just about as good.

Again, good banks are needed for national "team play" in trade expansion. Bankers are the men on the coaching lines in foreign business; the directors of German, French, and English banks have their fingers in many enterprises—in home companies exporting railroad ties or agricultural machinery, in railroad loans, and in sewerage and other business operations. How can our people back home keep in touch with these opportunities for investment and for business unless they have such men on the spot to advise them?

There is one point, a bit aside from banking, that deserves mention here. Nothing is harder for the average exporter to ascertain than the standing, or credit rating, of firms in foreign countries unless he has the assistance of a good mercantile agency. The lack of such agencies has handicapped American exporters in many South American countries very seriously, and until they are established American bankers in South America could be very useful by supplying the information they usually give.

An American bank would be welcomed in those countries. Just before I left Buenos Aires for the United States the last time Dr. Jose Maria Rosa, the Argentine minister of the treasury, told me that he could hardly understand why we had no bank in Buenos Aires, a city as large as Philadelphia. "The Argentine Government will give all possible assistance toward its establishment," continued Dr. Rosa. "How can your trade with us ever grow unless you have a bank here, Señor Chandler? It is so very important. Tell your countrymen to come here and found one."

Dr. Eliodoro Lobos, the minister of agriculture, was even more emphatic. He said, "Your President and Secretary of State will make their names immortal if they will only get such a bank started. We need such a bank as well as you. Otherwise our trade with you can not grow, and nations are better friends if they see more of each other and have more dealings with each other. Your packing people are moving here to the Argentine, and they will require one more than ever."

That last point of Señor Lobos's is worth remembering. The meat-producing center of the world is rapidly shifting to the River Plate. Of all the beef consumed in London 78 per cent is shipped from the Argentine. If our supplies of live stock in the United States continue to diminish 9 per cent every 10 years, while our consumers increase 21 per cent, as our census statistics inform us, we shall have to turn elsewhere for our meat, and that "somewhere" will almost certainly be either the Argentine or Uruguay. Are we going to let all money transactions in our food supplies be controlled by our trade rivals?

American shoe manufacturers are now buying a large percentage of their hides from South America. They are competitors in the world's market against the shoe manufacturers of England, Germany, and France. Isn't it rather a serious thing that for lack of amendment of a single law this country should give into the hands of English, French, and German shoe manufacturers the knowledge of prices paid by their American competitors for their raw material? We are dependent upon South America for more things than we realize, perhaps. How many know that we depend upon the nitrate beds of Chile for all our powder, dynamite, and a great many other valuable commodities in the manufacture of which nitrate is used? We are dependent upon South America for our coffee and cocoa. The finest kid skins for ladies' gloves come from that corner of Brazil which juts out into the Atlantic Ocean.

We do not realize the price we pay foreign bankers on this immense trade between the two continents. It has been roughly estimated that the British banks alone have made more than \$80,000,000 from citizens of the United States in South America, and some authorities will tell you that this is too low an estimate. The toll is constant. It is like the old French seigniorial river dues that never ceased because the river never stopped flowing.

These foreign banks in those lands for more than 50 years slowly but ever so surely have reared a great fabric with branches in all the big trade centers. They now present an organization as closely knit as any army or navy, all aiding in the advancement of the interests of their home countries, from the presidents and boards of directors—most of whom are generally interested in railroads and other lucrative South American enterprises—down to the newest "clerk" fresh from London. We also need such a machine as this for our trade.

THE NEED OF YOUNG AMERICANS.

For us the South American commercial field is essentially a young man's field.

The general retail trade—the selling of general lines of hardware, of paint, and of miscellaneous dry goods manufactures to the retailers of those countries—has received little development. That is the business which is to come, and I consider it more important in building sound commercial relations with other countries than the big business. Of course, the big business makes it easier for our exporters to get the

little orders of the retail merchants. But many other countries, notably Germany, have already made great progress in clinching the South American retail trade. When we go in for that business we shall have to fight for it, and it is only the young men of our country who can secure it for us.

Why? Because little orders are placed with friends. For the drummer selling to Jeremiah Smith, of Kalamazoo, it is worth a good many orders to gain the good graces of Mrs. Smith, and it is a strong point for that drummer to be on such terms of easy familiarity that he can ask if Jeremiah, Jr., has recovered from the measles. This is just as valuable with Señor Alvarez, of Montevideo. Indeed, it is much more valuable. You know that in our own country the element of personal relations in business getting is much stronger in the South than in the North, and if you multiply this difference many times you will have a very good idea of the importance of personal relations in business fields in South America.

One of the hardest things for an American salesman, newly come to a South American State, to understand is why he must spend so many precious days simply attempting to gain a social entrée to the dons as a preface to the privilege of placing a business proposition before them. The only reason is that it is the Latin's way, and if his business is to be gotten the American salesman must first learn and appreciate his customs.

Only the young man can do this. He has the adaptability and the years to spend at the task. He expects to spend a long time preparing himself. Germans in the foreign trade are trained from—well, I often wonder how many years a German will spend just to saturate himself with a knowledge of the country where he is to be his firm's business getter. A German does not leave his country for a business tour to drum up business. He comes to live in the South American country, and when you find him finally established he has become about the nearest facsimile of a South American incidentally engaged in representing a German house that you can imagine. And this is why the Germans are getting the general trade of these countries.

I remember one day when, as I sat in the office of the consulate at Montevideo, a type of the older, seasoned American salesman entered. He practically admitted to me later that the only reason he had come to the consulate at all was that some one had told him that it was the right way to begin, and that the only thing he had in mind to ask me for was a list of customers, with their ratings, so that he could get out that afternoon and hustle for business. He had one of the best lines of hardware, he told me, ever sold out of Chicago. For 10 years he had represented his company in various places through the Northwest, and he had recently come from Michigan, where he had made such a success that when the directors of his firm decided to branch out into foreign lands they had chosen him as the logical man to get the business.

He knew his line. If I had just then been in the market for an automobile I believe he could have convinced me that it was one of his magnetic tack hammers I really wanted. I asked him if he was as steady on his feet with Spanish as he was with English. He said he had been at it for six months before he left "the States," and that, although he did not profess to be able to colloquialize in the lingo, he guessed he could brush along in it well enough to sell his goods. I fired a fair amount of Spanish vocabulary at him. I submerged him completely. I suggested that perhaps he would find it difficult to sell his goods to merchants who would counter to his arguments with an even more formidable shower of Spanish than that to which I had treated him. For about 15 minutes we argued the point. I suggested also that he familiarize himself with the way of doing business in Montevideo, with the banking facilities, and with the Spanish idea of credit. Although I do not clearly remember all the details of our talk, I distinctly recollect his closing remark.

"Well," he said, squaring himself, "I sold this line in Kalamazoo; I guess I can sell it in Montevideo."

Having written that line out, it appears to me almost too absurd a speech for a man of his experience to have made, yet I have heard others express about the same idea. To do this particular salesman justice, he proved a stickler. He gave up in the long run, but he clung to his forlorn task longer than I had ever supposed he would. I accompanied him on his first few tours. It was pitiable to see him grope for the few familiar words in the sonorous Spanish of the merchants and to try to catch just enough to get the sense of their conversation. Even more lamentable were his vain efforts to phrase some incontrovertible argument about the value of his wares in his one-syllable Spanish. As much as I could I acted as translator for him. A Spanish merchant would raise a question. The drummer would instantly take from his resourceful mind some smashing argument which he had used a thousand times at home—prepared to obliterate every objection of the doubting don—and then he would wind up with a two-line statement that was lame, halt, and blind, and that must have sounded to the don like an extract from a primer. When he was asked to give six months' or more credit he seemed to think that I had purposely guided him to every dead beat in Montevideo.

One of the first questions he put to me was, "How could he start an advertising campaign?" I suggested a couple of the best weeklies—a curious combination they are of our own Saturday Evening Post, Life, and Police Gazette. No. What he wanted to do was to circularize his trade individually. That practice was then new in Montevideo. I happened to remember a printer who, on opening his establishment, had sent out a circular to his friends, so I secured a copy of the circular to show the American salesman how circularizing was done in Montevideo. For he had, even in that short time, come to see that he would have to follow custom to get business.

After laboriously reading the circular he remarked to me that he could not tell from it whether the printer had invited his prospective customer to visit him for a month or was proposing for his daughter's hand. Well, that is the way they do such things in Montevideo. One sends out a business circular. In itself that is an innovation, but Heaven forbid that one should rudely quote prices in that circular. One simply calls to the attention of the highly esteemed Señor Gomez the exquisite pleasure which it would afford the proprietor of the printing establishment if he, the highly esteemed señor, would, when having under consideration such work of that character as his great and wonderful business must constantly demand, only bear in mind the fact that there was in Montevideo such a printing establishment, which, although it was not quite good enough to do such work as was due the illustrious señor, had nevertheless a proprietor who would consider it the highest honor of his life to be given the slightest intimation that he was worthy to be thought of in connection with the esteemed Señor Gomez's orders.

The Yankee salesman declared that if he had to begin with that soft pedal and work his way up with a series of circulars until he had gotten sufficiently into the merchant's graces to be granted the privi-

lege of putting a business proposition before him, he guessed the business wasn't worth the time of any man over 18 years of age.

After this salesman had returned to the United States, his firm, probably at his advice, sent to Montevideo a bright young man who had had about two years of sales experience, but who had, on the other hand, a very sound, if somewhat stilted, command of Spanish to back him and who was willing to bide his time, as, indeed, at his age he could afford to do. When I left Montevideo this young man had worked up at least enough business to justify his existence, and had acquired a circle of friends and a familiarity with the ways of the people which I knew would in the long run bring him business beyond his dreams. Perhaps you will think this is an exaggerated case, but it is not.

THE NEED FOR BETTER NEWS SERVICE.

Another of the greatest handicaps against the American in South America is, I think, the lack of good news service between the two continents and of sound knowledge of South American history and economic conditions. A great quantity of distorted and injurious "news" is circulated about us in South America, and, as a consequence a prejudice against us is created which is perhaps our greatest handicap in making friends. I read some time ago that Secretary Knox, in a speech quoted an article from some South American journal printed as a dispatch from Washington, stating that the American Government was this year showing a deficit in governmental expenditures for the first time since the Civil War, and that as a measure of economy it was intended to abolish the office of Vice President and to reform our national lottery. I have frequently read statements in South American papers that described our international policy in language even more absurd than this.

This need of better knowledge, of correct daily news, is as great with us as with South America. By reading any one of our metropolitan dailies we can follow the course of the home rule bill through the British Parliament. Yet what have our papers said of the sweeping electoral reforms which the Argentine Government has recently adopted? Perhaps it is fortunate that we have had so little to read, for what I have seen printed in American papers is mostly untrue, and so, when the exchange of news is bettered, we shall not have so much that is wrong to unlearn. And how many Americans speak Portuguese? How many know that as much Portuguese as Spanish is spoken in South America? How many know that the label on the can of tooth powder shipped to Pernambuco must be printed in Portuguese and on that shipped to Bocas del Toro or Bahia Blanca must be in Spanish? No; we are still asking the man from Buenos Aires if he has any hotels in his city. We wish to know if the Argentine has any roads that an automobile can run over, though I had an office in the same building in Buenos Aires with an Italian automobile salesman who sold two or three \$5,000 motor cars every month.

Our schools should pay more attention to this need, and, above all, our colleges and universities should not merely lay much more emphasis on teaching Spanish and Portuguese, but should insist that instruction be given in at least the rudiments of South American history and economic condition. For a Nation of 94,000,000 people we are absurdly inadequate in our training of young men for as useful and old a profession as exists—international trade. Our whole system of modern-language instruction needs revision, with teachers who can teach the Spanish of Madrid rather than the Spanish of East Boston. How many institutions are there such as the Boston High School of Commerce and the Philadelphia Commercial Museum? At how many colleges can one learn a word of Portuguese? We have more than \$150,000,000 worth of trade with Portuguese-speaking countries. Do you think that one high-school boy in a thousand can tell you that Buenos Aires is larger than Philadelphia or that the highest railroad in the world is in Peru?

There is nothing more humiliating for an American than to visit one of the large South American universities and find the eager young men there studying Kent and Story in law, James in philosophy, Trent in American literature; or to hear the correct answers given to such questions as: "How long was the term of the President of the Confederacy?" or "Who was Edward Everett?" and to imagine the answers the students in our universities might give to similar questions about Rivadavia or Urquiza or García Moreno.

When the ships of the Atlantic and Pacific brim Culebra Cut there will set in a tide such as once flowed in our own country from east to west that will call out from our universities, from offices, and from shops the youth that has most ambition, most daring, most resourcefulness, and most adaptability. Col. Goethals tells us that he is going to put the first ships through the canal next August; so it does not seem too soon to get ready for the change to-day. Certainly, none of the great exporting nations of Europe are letting the grass grow under their feet, and we can not afford to let this South American business escape for lack of preparation of our young men.

SOUTH AMERICA'S NEED OF IMMIGRATION.

The Panama Canal is viewed by Americans almost wholly as a channel of commerce for wares. But vessels carry more than wares. In their stowage are future nations. The Panama Canal is certain to prove one of the greatest channels of immigration in the world. It is just here that so many people make a mistake in prognosticating the influences of this canal. They compare it at once with the Suez Canal; they modify the effect of that waterway to suit the commercial conditions prevailing in North and South America and present to you a complete table of alterations in the world's trade which the canal is to bring us. But any comparison between the Suez and the Panama Canals is impossible, because the Suez Canal connected 400,000,000 East Indians with 200,000,000 Europeans. At one stroke the two most populous continents of the earth were given the cheapest and quickest transportation route.

Now, South America is still a country for settlement as well as for development. Only after a person has roamed over that vast territory from Panama to southern Argentina does he realize the sparseness of its settlement and the immense possibilities of its future. Even by touching at its ports he gets a false impression of the continent's population. He sees Buenos Aires with its skyscrapers, its big hotels, and its busy thoroughfares, and he can scarcely realize that it is at the threshold of a still unsettled country, a country of immense cattle ranches like those in our own West 20 or 30 years ago. In Uruguay one-seventh of the people live in Montevideo. The land is held in enormous tracts by wealthy "estancieros" (ranchmen) and the Government is just now trying, by adopting the European scheme of furnishing money at cheap rates to small farmers, to build up a substantial agricultural class. If we touch at the coast cities of Brazil, or even traverse the southern provinces, we get no idea of the astonishingly vast unsettled regions in the basin of the Amazon or in the table-lands of the interior.

Therefore, the greatest effect of the canal is to be in the people it will bring. They will compromise with the present inhabitants of the country to build a greatly altered, perhaps a new, South America, industrially and politically. This change has begun in one country already. Argentina has become a melting pot, and her institutions have felt the change, her commerce has grown beneath its influence, until to-day that country has the second largest foreign trade in the Western Hemisphere. Argentina has received most of the immigration because of the steamship lines from her ports to Europe. The remainder of it has gone only to Brazil and Chile. Now the Panama Canal will bring the steamship lines to the west coast.

Let us consider what this immigration will mean to the west coast of South America. (Peru holds the oldest Caucasian civilization of the western world. I studied there in the oldest seat of learning in the Western Hemisphere, an institution many years older than my own Harvard.) The Spaniards enslaved the natives but, in time, as so often happens, the conquered in arms became almost dominant in blood. Since that first settlement Peru has received little new immigration. The benefit of the Spanish influx is dying out. This is true as well of the other countries of northern South America—of Ecuador, of Colombia, and of Venezuela. Bolivia is still almost an Indian country. The immigration which the canal will bring is certain to revolutionize these countries industrially and probably politically.

The new immigration will give to Peru, for example, new laboring classes. In time it will fill the great void felt to-day—the utter lack of a solid middle class. It will give hands with which to cultivate the soil and energetic merchants to sell the soil's products. One of the most commercial activities of South America is fruit growing. Let us apply the benefits of immigration to the fruit industry of Peru. Wine of very good quality is produced in the Ica Valley. The industry has been carried on for three centuries, since it was first introduced by the Spanish, but, as no people followed them, for lack of labor it has never received any real development. Give this valley new immigration from Spain, Italy, and the islands of the Mediterranean, and you have at once the possibility of a thriving industry.

The banana industry exists to-day successfully in northern Peru, Ecuador, and Colombia, although it is very little developed. The truth is that there is no market for the product at present, except in Chile. The canal will give to these countries a market for their bananas, and new immigration will develop the industry.

I have bought pineapples at two for a cent in Lambayeque, Peru. That town is now being connected by railroad with the seacoast. The canal will give the pineapple growers a market in the United States for their fruit, but Peru will need new blood and virile wage earners if she is to develop these resources. On the west coast of Colombia they are now building a road from Buenaventura to Cali which will place within three or four days of the Isthmus one of the greatest tropical fruit-growing districts in the world. It may not be many years before the Peruvian "paita" will be on sale in the fruit stores of New York City.

There are also opportunities for the development of new industries. Peruvian coffee—and I have never tasted better coffee than is grown on the plantations of northern Peru—is produced now only as a garden product for the use of the owners of these plantations, who live in Lima. Italian immigration gave the first impulse to the enormous development of the coffee industry in Brazil. Why shouldn't it do as much for Peru?

Directly, then, immigration into South America will mean cheap, good labor, and, indirectly, it will mean a steady influence politically upon the Governments and a quickening influence upon the industrial life of the nations. The American investor, the American exporter, can both count these changes to their benefit. All these changes have been seen in the Argentine Republic. Half of the people of that country either came there since 1857 or are descended from people who arrived there since that year. Therefore, Argentina is no longer strictly Latin-American in the sense that the northwestern countries are. It is cosmopolitan. The peoples of both southern and northern Europe have placed an indelible stamp upon the nation's institutions. Therefore, the country's commerce has grown, and the investment of foreign capital in the Argentine Republic has increased. It is no longer a country of politics but a country of industry.

[House of Representatives, Rept. No. 3054, 54th Cong., 2d sess.]

Mr. BROSIUS, from the Committee on Banking and Currency, submitted the following report:

The Committee on Banking and Currency, to whom was referred the bill (H. R. 875) to provide for the incorporation of an international American bank, respectfully report the same with the recommendation that it do pass with certain amendments, indicated in the bill hereto attached.

The purpose of this bill is to carry into effect the recommendations of the International American Conference of 1889 by the incorporation of an international American bank. That body of eminent statesmen from all the American Republics, after an exhaustive discussion, embodied their recommendations in the following resolution:

"Resolved, That the conference recommends to the Governments here represented the granting of liberal concessions to facilitate inter-American banking, and especially such as may be necessary for the establishment of an international American bank, with branches or agencies in the several countries represented in this conference."

The bill has been drawn with great care, and it vests no powers in the proposed bank not necessary to enable it to execute its purpose effectively. The exercise of its powers is amply safeguarded, with a view to the protection of its shareholders, depositors, and those doing business with it. Complete visitatorial power and control are vested in the Comptroller of the Currency. The Government is in no sense a party to the corporation, assumes no liability on its account, and is in no event responsible for its engagements. The only purpose in chartering the bank by act of Congress is to have an institution with a corporate franchise conferred by the Federal Government to inspire public confidence and secure safety through Government supervision and control. Foreign countries, taking note that the bank was projected by act of the Federal Government, a source of authority they are accustomed to recognize, would at once see the propriety of granting such concessions to their own people as would be necessary for the establishment of the branches contemplated by the bill.

The most effective provisions of the national banking act relating to periodical reports to the Treasury Department of the state of the bank's business and general publicity of its affairs, through newspaper publication, with full power vested in the Comptroller at all times to examine into its management and compel any impairment of its capital

stock to be made good, have been incorporated. The bill, in short, is thoroughly guarded and wisely adapted to the purpose intended.

The people of the United States, in common with those of the Central and South American Republics, feel the importance of increasing commercial intercourse between the different portions of the American Continent, and they believe that the development of such intercourse has been retarded by the lack of adequate facilities for exchange between the several countries, and their hope for a revival in trade is based upon the establishment of improved banking facilities which will emancipate these growing countries from their age-long servitude to the bankers of London and the Continent of Europe.

No one has expressed the situation more tersely or more forcibly than Mr. Theodore C. Search, president of the National Association of Manufacturers, after a tour of observation through South America. He says:

"As in our ocean commerce, so also in our financial relations with other countries, we are dependent largely upon the services rendered by foreign interests. Particularly in our dealings with the nations to the south of us, we are in urgent need of direct international banking facilities. We do \$150,000,000 worth of business with South America in a year, and yet all our balances have to be settled through English or European banking houses. In the great trade centers of South America, the English, the German, the French, and the Italian have their banks, but I think that I am right in saying that there is not an American bank in all South America. Manifestly this is a serious hindrance to our trade."

The conditions of international trade which have given European countries, notably Great Britain, the lion's share of commercial intercourse with South America are brought into distinct view by the report of Gen. I. W. Avery, the commissioner to South America from the Cotton States and International Exposition, who visited that continent in the interest of the exposition. He informs us that of the \$911,000,000 foreign trade that South America does each year only \$130,000,000, or one-seventh, is done with the United States. Of the latter sum our country sells South America but \$32,000,000, or one-fourth, and buys \$91,000,000, leaving a balance of \$59,000,000 against us.

Embracing in our view all the Republics south of us, the figures are still more significant. The total foreign commerce of Mexico, Central and South America is about as follows:

Imports.....	\$557,504,462
Exports.....	722,364,251
Total.....	1,279,868,713

Of the total imports the United States supplies \$99,814,538, or a little over one-fifth, while of the total exports they receive \$207,384,623, or nearly one-third, leaving a balance against them of \$107,570,065.

The financial part of all this business, he informs us, is carried on through Europe. European vessels carry the goods, Europe receives the commissions and freights, and sells most of the goods consumed in South America, while the United States is the largest purchaser. This condition of the trade, he says, is due to five facts, namely:

First. We have no banks in South America; Europe has them everywhere.

Second. We run few steamships to South America; Europe runs them to all her ports.

Third. We have no United States stores in South America; Europe has her stores in all parts of that continent.

Fourth. We sell for cash; Europe gives credit.

Fifth. Europe makes goods and packs them to suit the South American trade; we do not.

Without underestimating the importance of the other facts named, it is quite obvious that the first one is at this time pressing with great urgency upon the attention of the American people in connection with the universal desire to increase our commerce with our southern neighbors.

A comparison of our lack with the great abundance of facilities enjoyed by European countries for the South American trade brings into view as a conspicuous agency in European commerce suitable and convenient means of exchange. Every leading European nation has established banks in the South American countries to facilitate exchanges. It was stated recently that France is about establishing a bank in Brazil with a capital of \$2,000,000 for the purpose of opening more direct financial relations with that country. French traders are not satisfied with existing facilities, which compel them to operate through English banks.

United States Consul Johnstone, at Pernambuco, Brazil, said recently that English and German banking houses were scattered throughout the entire eastern and western coasts of South America. These banks, while doing a general exchange business, are established especially for the benefit of the trade of their own countries. It is said that there are 60 incorporated banks in London with a capital of \$294,000,000 exclusively devoted to international banking.

In the report of the commission referred to, it is said, speaking of Argentina:

"Four-fifths of the present banks of Argentina are branches of foreign banking houses, all of which are European. The United States is the only country attempting to do business without a banking representative, and it is the opinion of those well informed on the subject that any large increase in our business with Argentina will necessitate the establishment of direct banking connections. Minister Buchanan, after a careful investigation of the conditions, says: 'This city (Buenos Aires) offers a splendid field for American banking capital, and I am satisfied that an American bank, conducted as our banks are, would command great favor here and find many advantages and facilities extended to it. I am equally certain that it would be the means of extending and enlarging our commerce with this country.'"

It can not be doubted that trade might be increased between our own and the countries south of us by improved facilities for transportation and by catering to the tastes of the people and adapting our goods to their markets, but over and above all possible gain from these sources there is a large benefit to be derived from a coincident extension of the means of exchange. The mechanism of exchange is only second in importance to that of transportation. Improvements on both lines might well progress concurrently.

It is not easy to see how the currents of trade that have been flowing so long across the Atlantic from Central and South America can be changed and made to flow north and south without the aid of an international mechanism of exchange which will afford facilities at least equal to those existing between this continent and Europe.

The indirect exchange, which has been our chief recourse in the past, entails great loss upon the United States and affords ample gains to European bankers, which American bankers ought to enjoy. This is obvious enough to all who understand the course of our foreign trade. Our imports from the south of us greatly exceed our exports, creating

a balance against us on our trade ledger, while Great Britain exports to those countries largely in excess of her imports from them, leaving a balance against the latter countries. We pay our balance to South America indirectly with the British goods shipped to her in excess of what Great Britain imports from her. In other words, there is a triangular trade between the United States, Great Britain, and South America. British ships sail with goods from British ports to South America, thence to the United States with sugar, coffee, teas, and spices, and finally return to Great Britain with American cotton and food products. Not only do British interests enjoy the benefits of this trade, but British ships pocket the freights and British banks the commissions on the exchange required in the financial settlements.

To see how British banks secure these advantages we have only to look into the mode of conducting our commercial intercourse with our southern neighbors.

Take, for instance, a purchase of wool, which we will say costs in Argentina \$1,000 or about \$5,000. An importer here when he orders the wool from a merchant there (Argentina) furnishes a letter of credit of a London banker, which is taken out for his account in favor of the shipper. The shipper draws under this letter of credit at whatever usage is named, usually in South America at 90 days' sight, accompanying his draft with shipping documents, which are to be given up to the drawee in London on his acceptance. Duplicate documents are forwarded to the correspondent of the London banker in New York, so that the goods may be taken charge of on arrival of the ship here. The drafts on London are accepted at, say, 90 days' sight and charged to the American importer in that way. Upon arrival of the goods here the importer applies to the banker's agent or representative, and if the importer is of good standing he usually receives the documents in exchange for an engagement to hold the goods (with liberty to sell) or the proceeds in trust for the bankers until the acceptance in London is covered.

In this way an importer from South America would receive his goods about the time the shipper's drafts would reach London, and he would thus have about 90 days' credit, say sufficient time to sell the goods, and out of the proceeds to protect the drafts drawn. To cover the London banker he would, of course, buy a draft on London at whatever the rate on London would happen to be.

A settlement in a case like the foregoing could not be effected advantageously by direct exchange with Argentina under existing conditions, and such exchange with any South American country is scarcely known. A New York house, which has been doing business with South America for 27 years, states that nearly all their transactions were carried on through credits on London. The reason is obvious. No matter how good the customer is in South America, it is not possible to negotiate a draft on him at any reasonable rate of exchange, as there is no means of ascertaining his standing and credit, and hence a draft on him must go a begging in the United States.

It is easily seen that American bankers, excepting the few houses doing an exchange business, have no agency to speak of in these transactions and enjoy none of the benefits of them excepting so far as they may be the agents of British bankers and operating in their interests.

Can we conceive of a situation more humiliating than this to a patriotic American? Seventy millions of the most enterprising people on earth, the greatest Republic on which the sun shines, the richest nation in material resources and productive capacity obliged to obtain a letter of credit from a European bank before it can buy a bill of goods from a neighboring country on our own continent; compelled to conduct a rivalry in international commerce with European nations for South American trade with the fiscal agencies employed in effecting exchange practically in the hands of our most formidable competitor.

Not only that, but for the carriage of our goods, our mails, and ourselves to South America we are dependent upon steamers built and owned in England and operated under British management. Every American cheek should tingle with shame at the thought of the recourse to which a commission of manufacturers from the United States was subjected this year. C. D. Mitchell, of Chattanooga, Tenn., one of the vice presidents at large of the National Association of Manufacturers, expressed the situation in this indignant phrase. He said:

"It was a national disgrace when sending a business commission to Argentina and Brazil this year to acquaint us with trade prospects that they were compelled to cross the Atlantic twice each way in foreign-owned and foreign-made steamers. In a 3 months' absence they had only 25 days to 'spy out the land,' whereas could they have gone direct they would have had 60 days in which to do their allotted work. Thus the disgrace is overshadowed by the injury and loss."

Direct exchange between the countries concerned was the consummation which the delegates from all the countries represented in the International American Conference hoped to achieve. A discussion of which precedes the other in the order of development, commerce, or banking is of too academic a character to be useful. It is entirely obvious that where commerce between two or more countries has arrived at a given state of development under inferior facilities for exchange an additional impetus to trade will come from an extension of the means of settling accounts. This is attested by all observation and experience. The greater the facilities for direct clearance on account of goods exported against goods imported the greater will be the volume of commodities exchanged.

When we consider that the countries south of us are not manufacturing countries, but produce largely raw material which it would be materially advantageous to exchange for our manufactured goods, the desirability of the object had in view is distinctly emphasized. The delegates from the South American Republics pointed out this consideration in their arguments in support of the resolution quoted. They looked north and saw a great manufacturing nation in need of raw material, and they fully realized that their people needed the manufactured goods we produce, and which are now supplied by England and other nations.

This condition of commerce is injurious both to the United States and the southern Republics. Over and above the loss of the reciprocal advantages which trade affords, we are paying a large bounty to European bankers for effecting our exchanges for us, because we have not the means of making them ourselves. With suitable machinery for exchange established between the countries of the American Continent we would save a large amount of commissions paid to English and continental bankers and direct large streams of profit to American financial centers which now flow to European markets. Under existing conditions we are compelled to suffer this loss in addition to the indirect injury we sustain, for the president of the National Association of Manufacturers in his recent report well says:

"There are abundant reasons for the belief that the commercial interests of the United States in South America would be greatly benefited if they were independent of England in their financial transactions."

In the report of the committee appointed by the International American Conference to consider and report upon this question, it was declared that there was not in the countries represented in the conference any organized system of bankers' exchanges, or credits; for instance, they said drafts upon the United States were not obtainable at all in many of the markets of South America, and in most of them are only salable at a discount below the sterling equivalent. In like manner, drafts upon South and Central America are practically unknown in the money markets of New York, Philadelphia, Baltimore, New Orleans, Chicago, and Boston. Necessarily, therefore, the merchants who import goods from these southern countries make their exchanges through English bankers' credits. We pay for the goods we buy by remittances to London or the Continent to cover drafts drawn in the exporting markets against European letters of credit, and we pay 1 per cent for the privilege of doing so, which might be saved, as well as interest and commissions, if we had an international banking system so developed as to afford a market for drafts drawn against letters of credit issued in America, such as now exists for drafts drawn against European letters of credit.

One of the delegates from South America said if a merchant from Argentina wished to send goods to the United States he must ask the one to whom he sends the goods (consignee) to authorize him to draw upon some bank. The consignee has to send him a letter of credit on London, because there is no bank there that can issue a draft, nor would the merchant know what to do with a draft if he received it, as there are no banking institutions to which he could sell such a bill of exchange. The consequence is that the banker in London must be paid a commission of 1 per cent upon the amount simply for placing his name upon the paper.

Another delegate, observing the necessity for branches in the South American countries, argued very cogently that the banks in those countries have no relations with each other, nor have they any knowledge of the operations of each other. There is, for instance, no way of knowing in Argentina whether a draft drawn by the Bank of Costa Rica is valid or not. Likewise a draft on the Bank of Mexico might have some difficulty in being accepted in any of the South American Republics, because its solvency would not be known in those countries. But with branches established in every section the international American bank could draw on its branches anywhere with perfect knowledge and implicit confidence. The obvious result would be the dissemination of knowledge of the standing of merchants and business men in the commercial centers of the several countries and the promotion of that confidence indispensable to that commercial association and intercourse which carries on its wings blessings to all concerned.

As money is the great instrument of association among men, States, and nations, so any extension of the facilities for making money available and supplying media of exchange, such as banking operations afford, always quickens the currents of trade and stimulates intercourse among merchants in the same and likewise in different States and nations. Putting capital into banks, at least to the extent of meeting all reasonable demands, has ever been and always will be a distinct benefit to business.

The committee of the international conference referred to say in their report:

"Your committee believes that the best means for facilitating the development of banking business, and generally of financial relations between the markets of North, South, and Central America, as well as for improving the mechanism of exchange without calling on any Government whatever to exceed its functions, would be the passage of a law by the United States incorporating an international American bank, with ample capital, with the privilege on the part of the citizens of the several countries in the conference to take shares in such bank pro rata to their foreign commerce; which bank should have no power to emit circulating notes, but which should have all other powers now enjoyed by the national banks of the United States as to deposits and discount, as well as all such powers as are now possessed by firms or private bankers in the matter of issuing letters of credit and making loans upon all classes of commodity, buying and selling bills of exchange, coin, bullion; and with power to indorse or guarantee against proper security, and generally to do whatever can be done by the great banking firms who are carrying on their business without the aid of corporate charters under the laws of a general partnership."

With such an international bank established, with branches in all the Republics on the continent, there would be a stimulation of intercourse, commercial and financial, such as would surprise those who are content to transact American business through European bankers and are satisfied that Europe should buy from us and reship the same goods to South America at a profit which we are too slow or stupid to secure for ourselves.

THE CONSTITUTIONAL OBJECTION.

The objection made by some to this measure based upon a supposed constitutional limitation of the power of Congress in the premises is not, in our opinion, at all tenable. It is provided *inter alia* in article 1, section 8, paragraph 3, of the Constitution, as follows:

"The Congress shall have power * * * to regulate commerce with foreign nations."

The constitutional meaning of the words "to regulate commerce" has been so frequently and so fully considered by the courts with such force of reason and amplitude of learning that it is unnecessary to enlarge upon the subject in this connection. Remembering that the Constitution is an instrument of enumeration rather than of definition, it is obvious enough that the extent of the power is limited by the meaning of the words in which it is granted. Story, in his Commentaries, says:

"The subject to be regulated is commerce. Commerce is something more than traffic; it is intercourse. It describes commercial intercourse between nations in all its branches and is regulated by prescribing rules for carrying on that intercourse. To construe the power so as to impair its efficacy would defeat the very object for which it was introduced into the Constitution."

The late Justice Miller, in his work on the Constitution, says: "Traffic and trade are comprised of a great many elements, so far as the means are concerned by which and the persons by and between whom they are carried on."

Still more explicit is the language of the Supreme Court in *McCall v. California* (136 U. S., 104):

"Commerce includes the fact of intercourse and of traffic and the subject matter of intercourse and traffic. The fact of intercourse and traffic again embraces all the means, instruments, and places by and in which intercourse and traffic are carried on at those places and by and with these means."

To exclude from the power the regulation of the means of exchange and the use of credit in carrying on foreign commerce would imply that

foreign commerce in the constitutional sense is limited to barter or exchange without the use of the great modern agency of credit. The admission that a suitable mechanism of exchange between countries facilitates foreign commerce, and no one denies that, is a concession of the entire ground of contention, for the purpose of the power to regulate is to facilitate, and any means that facilitates must therefore be included in the power to regulate.

Whether an international bank is a suitable means of facilitating foreign commerce is not a judicial but a legislative question. The decision of Congress on that question can not be reviewed by the courts. Congress may choose any means suitable to carry out a granted power. All means appropriate and not prohibited, if the end be within the constitutional mandate, are constitutional. This principle is nowhere more elaborately considered than in *McCulloch v. Maryland*. From that magazine of judicial learning we deduce some observations which carry the substance if not the words of that justly celebrated decision, and which apply as well to an international as to a national bank.

If any one proposition could command the universal assent of mankind, we might expect it would be this, that the Government of the Union, though limited in its powers, is supreme within its sphere of action. This would seem to result necessarily from its nature. It is the Government of all; its powers are delegated by all; it represents all and acts for all.

The nature of the Constitution requires that only its great outlines should be marked, its important objects designated, and the minor ingredients which compose those objects be deduced from the nature of the objects themselves.

Is it denied that Government has its choice of means or that it may employ the most convenient means, if to employ them it be necessary to erect a corporation? The power to create a corporation appertains to sovereignty and is not expressly conferred on Congress. The Government cannot be restrained from creating a corporation as a means for performing its functions, for the reason that such an act is an exercise of sovereignty.

The power of creating a corporation is not an end for which other powers are exercised, but a means by which other objects are accomplished. In *California v. Pacific Railroad Co.* (127 U. S., 1) it was declared that Congress has the power to construct, or to authorize individuals or corporations to construct, railroads or national highways from State to State, and that that authority is essential to the complete control and regulation of interstate commerce.

Congress is empowered to make such laws as may be necessary and proper for carrying into effect the powers conferred on the Government. The word "necessary" does not exclude the choice of means which are appropriate. Necessary means are any means reasonably calculated to produce the end.

The Constitution does not prescribe the means by which Government shall execute its powers. Future exigencies could not have been foreseen and must be provided for as they occur. The Constitution does not restrain Congress or impair its right to exercise its best judgment in the selection of measures to carry into execution the constitutional powers of the Government.

Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional. (*McCulloch v. Maryland*, 4 Wheat.)

Keeping these principles in mind and remembering that the international bank authorized by this bill has no other purpose than to facilitate our foreign commerce by affording improved means of exchange between our own and other countries, one can hardly fail to see that the measure is entirely within the warrant of the Constitution. If, however, there still lingers in any mind a doubt of the soundness of the views suggested, it will certainly be removed by an examination of a few of the leading cases in which the question has received judicial consideration, notably the cases of *Gibbons v. Ogden* (9 Wheat., 196), *United States v. Holliday* (3 Wall., 417), *People v. Brooks* (4 Denio, 469), *Brown v. Maryland* (12 Wheat., 445), *McCulloch v. Maryland* (4 Wheat., 316), *Legal Tender Cases* (12 Wall., 457), *Judith v. Greenman* (110 U. S., 421), *Veazie Bank v. Fenno* (8 Wall., 533), and *National Bank v. United States* (101 U. S., 1).

Appended for information are the communications of President Harrison and Secretary Blaine, the report of the committee on banking of the International American conference, and a copy of the bill:

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A LETTER FROM THE SECRETARY OF STATE RELATIVE TO THE REPORT OF THE INTERNATIONAL AMERICAN CONFERENCE IN FAVOR OF AN INTERNATIONAL AMERICAN BANK.

To the Senate and House of Representatives:

I transmit herewith a letter from the Secretary of State, inclosing a report adopted by the International American Conference recently in session at this Capital, recommending the establishment of an international American bank, with its principal offices in the city of New York and branches in the commercial centers of the several other American Republics.

The advantages of such an institution to the merchants of the United States engaged in trade with Central and South America and the purposes intended to be accomplished are fully set forth in the letter of the Secretary of State and the accompanying report. It is not proposed to involve the United States in any financial responsibility, but only to give to the proposed bank a corporate franchise and to promote public confidence by requiring that its condition and transactions shall be submitted to a scrutiny similar to that which is now exercised over our domestic banking system.

The subject is submitted for the consideration of Congress in the belief that it will be found possible to promote the end desired by legislation so guarded as to avoid all just criticism.

BENJ. HARRISON.

EXECUTIVE MANSION, May 27, 1890.

DEPARTMENT OF STATE,
Washington, May 27, 1890.

The PRESIDENT:

I have the honor to submit herewith the report of the committee on banking as unanimously adopted by the International American Conference recently in session in this city. It was the wish of the conference that this proposition, of such great interest to every American Republic, should, as promptly as possible, secure the earnest attention of the Congress of the United States.

The foreign commerce of the nations south of the Gulf of Mexico and the Rio Grande amounts annually to more than \$1,100,000,000. At

present the people of the United States enjoy only a meager share of this market, but the action of the recent conference will result, I believe, in the removal of certain obstacles which now tend to obstruct the expansion of our trade.

One of the most serious of these obstacles is the absence of a system of direct exchanges and credits, by reason of which the exporting and importing merchants of the United States engaged in commerce with Central and South America have been compelled to pay the bankers of London a tax upon every transaction. Last year our commerce with the countries south of us amounted to \$282,005,057, of which the imports of merchandise were valued at \$181,058,966, and the imports of specie and bullion were \$21,236,791, while our exports consisted of merchandise valued at \$71,938,181 and \$8,668,470 in specie and bullion. Of the merchandise imported into the United States, the greater part was paid for by remittances to London and the cities of the Continent to cover drafts against European letters of credit. For use of these credits a commission of three-quarters of 1 per cent is customarily paid, so that the European banks enjoyed a large profit upon our business with a minimum of risk. This system steadily results in losses to our merchants in interest and differences in exchange as well as in commissions. These losses would be largely reduced by the establishment of an international system of banking between the American Republics.

The merchants of the country are as dependent upon the bankers of Europe in their financial transactions with their American neighbors as they are upon the shipowners of Great Britain for transportation facilities, and will continue to labor under these embarrassments until direct banking systems are established.

The report of the committee hereto attached, presents a simple and easy method of relief, and the enactment of the measure recommended will, in the judgment of the conference, result in the establishment of proper facilities for inter-American banking.

Respectfully submitted.

JAMES G. BLAINE.

REPORT OF THE COMMITTEE ON BANKING.

[As adopted by the International American Conference, April 14, 1890.]

Pursuant to resolutions passed at the meeting of the conference on December 7, 1889, your committee was appointed to consider and report upon the methods of improving and extending the banking and credit systems between the several countries represented in this conference, and now has the honor to submit, as the result of its deliberations, the following report:

Your committee believes that there is no field of inquiry falling within the province of this conference for the extension of the inter-American commerce more fundamentally important than that of international American banking, and that, in fact, the future of the commercial relations between North, South, and Central America will depend as largely upon the complete and prompt development of international banking facilities as upon any other single condition whatever.

In the opinion of your committee the question of the mechanism of exchange is secondary, if at all, only to the question of the mechanism of transportation. Even after better means of transportation than those which exist shall have been established, it will be impossible for the commerce between American nations to be greatly enlarged unless there be supplied to their merchants means for conducting the banking business which shall in some measure liberate them from the practical monopoly of credit which is now held by the bankers of London and the European Continent.

If there be an enlargement of the means of transportation, unaccompanied with an equal extension of financial facilities, only partial benefits will be derived from the former as compared with the benefits which might be derived were the two improvements to progress together.

Your committee is of the opinion that the commerce between the American countries might be greatly extended if proper means could be found for facilitating direct exchanges between the money markets of the several countries represented in this conference, even if there were no improvements in transportation.

The first effect would be to afford a more direct "clearance in account" of goods exported against goods imported.

The large amount of commissions now paid to the European bankers could not only be decreased, but such commissions would be paid to American bankers or merchants themselves, and in this way a share of the profits which now go almost solidly to the European money markets could be kept in the financial centers of this continent.

There does not exist to-day among the countries represented in this conference any organized system of bankers' exchanges or credits. For instance, drafts upon the United States are not attainable at all in many of the markets of South America, and in most of them are only salable at a discount below the sterling equivalent. In like manner drafts upon South and Central America are practically unknown in the money markets of New York, Philadelphia, Baltimore, New Orleans, Chicago, and Boston.

The point has been made that to extend business between our States long credits must be given. How is it possible for manufacturers and merchants at distant points to form relations of such a character as to justify the granting of long credits? At present such relations are chiefly formed through the intervention of European banks and bankers, which are not interested in the extension of trade between the different countries represented in this conference except in a secondary and subordinate sense. The extension of trade between Europe and the Americas, not between the Americas themselves, is their first care. By the establishment of a well-organized system of international American banking our merchants and manufacturers would be able to establish improved credit relations, and those administering the system in the several money markets of the Americas would immediately become interested in fostering such relations and facilitating such business to the utmost extent.

The merchants of the United States now importing goods from the countries of South and Central America make such importations, as the investigations of your committee show, almost without exception, through the use of English bankers' credits.

The total foreign commerce of the West Indies, Mexico, and South and Central America amounted last year to about \$1,200,000,000 United States gold. The committee have not been able to ascertain the amount of the commerce among the Latin-American States. The total exchange of commodities between the United States and countries to the south during the year ending June 30, 1888, aggregated \$282,902,408, of which the imports into the United States amounted to \$181,058,966 of merchandise and \$21,236,791 of specie and bullion, and exports from the United States to \$71,938,181 of merchandise and \$8,668,470 of specie and bullion. Of the \$181,000,000 of merchandise brought into the markets of the United States the greater part was paid for by re-

mittance to London or the Continent, to cover drafts drawn in the exporting markets against European letters of credit.

For the use of these credits on Europe a commission of three-quarters of 1 per cent is customarily paid, and the foreign banks reap this great profit at a minimum risk, inasmuch as the drafts drawn against these credits are secured not only by the goods represented by the shipping documents against which the bills of exchange are drawn, but also by the responsibility of the party (generally the consignee) for whose account the letters of credit are issued, and without any outlay of cash, as the American merchant places the cash with the European bankers to meet such drafts at or before maturity.

This system results in the loss to America of interest and differences in exchange as well as of commissions, all of which could be saved to our countries if international American banking were so developed and systematized as to afford a market for drafts drawn against letters of credit issued in America, such as now exists for drafts drawn against European letters of credit.

At present, therefore, the situation is such that the merchants of this continent are virtually dependent upon European bankers so far as financial exchanges are concerned, notwithstanding the fact that there are ample capital and responsibility in the countries here represented, and it is the opinion of competent persons that such capital would be ready to avail itself of the opportunity of transacting this business directly between the financial centers of our respective countries without the intervention of London if the laws were such as to permit the conduct of the business of international banking under as favorable provisions as are now enjoyed by the European bankers. The prime difference would be that these transactions would be carried on by American instead of European capital, and that the profit would remain here instead of going abroad. This, however, is impossible of realization at present, in view of the fact that the banking houses of the United States doing foreign business are usually controlled by London principals, and that it is impossible, without some change in the legislation of the United States to secure a sufficient aggregation of capital in corporate form, and so free from the burdensome restraints and taxes now imposed upon moneyed corporations, as to permit competition on equal terms with the European bankers.

Many different plans have been discussed concerning the best means of facilitating direct banking business between our countries. Your committee has considered and dismissed a number of propositions relative to the establishment of banks by means of which the national governments themselves should afford financial facilities for inter-American banking. Such action, in your committee's judgment, does not fall within the proper sphere of government. There is no reason, however, why the Governments represented in this conference should not severally charter banking corporations to carry on business of the class which is now generally done by the great banking corporations of London; that is, not in the issuing of circulating bank notes, but for the purchase and sale of bills of exchange, coin, bullion, advancing on commodities generally, and for the issuing of bankers' letters of credit to aid merchants in the transaction of their business.

In the United States, where capital exists in particularly large volume and would lend itself most readily to business of this class, and consequently to the facilitating of international commerce, the laws are not such as to encourage the aggregation of capital for such purposes. So far as your committee has been able to discover after careful investigation there is no general statute of the United States nor of any of the States of the United States under which a banking company can be organized with ample capital which would have the power of issuing such letters of credit and transacting such business as is done by the leading banking companies of London, which virtually occupy the field. In the United States it will be necessary, in order to secure the proper facilities and the proper corporate existence, that there should be legislation granting a charter, and in most of the States such legislation is expressly prohibited by the terms of their constitution. Furthermore, the laws of the several States are such as to impose the severest restrictions upon moneyed corporations and to subject them to taxation so heavy that it would render it impossible to carry on the business of international banking in successful competition with the English, French, and German bankers.

Your committee believes that the best means of facilitating the development of banking business, and generally of financial relations between the markets of North, South, and Central America, as well as for improving the mechanism of exchange without calling on any Government whatever to exceed its proper functions, would be the passage of a law by the United States incorporating an international American bank with ample capital, with the privilege on the part of the citizens of the several countries in the conference to take shares in such bank pro rata to their foreign commerce, which bank should have no power to emit circulating bank notes, but which should have all other powers now enjoyed by the national banks of the United States as to deposit and discount, as well as all such powers as are now possessed by firms of private bankers in the matter of issuing letters of credit and making loans upon all classes of commodity, buying and selling bills of exchange, coin, bullion, and with power to indorse or guarantee against proper security, and generally to do whatever can be done by the great banking firms who are carrying on their business without the aid of corporate charters under the laws of a general partnership. Your committee believes, upon well-founded information, that the capital to such a bank would be promptly subscribed.

The United States Government might and should reserve the largest visitatorial powers. The business of such bank should be conducted with perfect safety and with profit to its shareholders, and the greatest benefit to our international commerce. Branches or agencies of such a bank could be established in all of the principal financial centers of America, with the formal recognition of the governments of the several States in which such agencies are established, or arrangements might be entered into with existing banking institutions of the other countries for transacting the business, thus at once affording markets throughout the two continents for the purchase and sale of bills of exchange, facilitating and improving credit conditions generally, and at once affecting a complete mechanism of exchange such as already exists between our respective countries and the European money markets, but which has as yet no existence between the money markets of North, South, and Central America for the reason already stated.

One of the direct benefits to be derived by all of the Governments represented in the International Conference from the establishment of such a bank would be that the investors in the several countries in different classes of American securities would have better means than any which now exist for making such investments. For example, a South or Central American State about to float a foreign loan would feel itself less dependent upon a single combination or syndicate of European bankers than at present. There would be open to such borrowing State two markets to which to apply for national loans as

against a single market, to the mercy of which said borrowing Government is now virtually exposed. The same holds good as to all classes of State and municipal securities whatever. Latin-American investors would find means more readily at command for the investment in and investigation of all classes of North American securities, and the investors of the United States would also find means for the investigation of and in all classes of securities issued by the States, municipalities, or corporations of Latin America.

Your committee recognizes the fact that London has for many years derived the largest possible benefits through its banking facilities with our several States in taking all classes of American loans, which have generally proved themselves to be of most stable and desirable character, but, nevertheless, upon terms which have yielded the London bankers abnormally large profits simply because the element of competition does not exist by reason of the absence of proper banking relations between the several American countries. The institution of such a bank as proposed would at once afford relief against this state of affairs, and would be of benefit not only to the merchants in the manner described, but to all classes of investors generally and without distinction.

In recommending the organization of an international American bank, the recommendation is based upon the present condition of trade. The establishment of better means of transportation and the promotion of trade in other ways will enlarge the demand for the class of facilities of a banking character which has already been referred to. The rapidly increasing wealth of North and South America also enhances the need for a complete system of inter-American exchange, and insures the subscriptions for an adequate capitalization to an international American bank to meet such needs. As an evidence of this increase the valuation of the property of the United States in 1870 was estimated at \$30,000,000,000; in 1880, at \$43,600,000,000, being somewhat larger than the estimated value of the property of Great Britain at that time. The capital and the business of the Americas is now much larger than when European facilities for banking between Europe and the Americas were established.

Banks of the character described, having agencies in the financial centers of the countries here represented, would materially promote the establishment and immediate use of a common standard for calculating values whenever such a standard shall be determined upon by the countries in interest.

While the sentiments of the independent nations of this continent are favorable to the settlement of all disputes by arbitration as expressed by resolutions introduced in this conference, thus rendering war highly improbable if not impossible among them, there exists no such guaranty that war may not take place in Europe. In such event, as long as we remain solely dependent for our financial facilities upon European money centers, a complete demoralization of our credit facilities and our money markets would necessarily follow and cause financial disaster and distress, which would be considerably lessened, if not altogether avoided, were there a well-organized system of inter-American exchange.

It may be asked, Why can not the object sought for in this memorial be attained through the agency of a private bank? The answer is, that in the extension of inter-American trade it would be difficult, we might well say impossible, to impart either prestige or credit to a private bank. The establishment of an international bank by authority of Congress would promptly command from the other American Governments concurrent legislation which could provide the amplest and most trustworthy form of international cooperation. As neither the bank in the United States nor the branches that may be established elsewhere can have the power to issue circulating notes, the most complete evidence is afforded in that fact that the bank is to be devoted solely to the commercial interests of the two continents, and must rely for its profits upon the increase of the volume of business from which alone it can secure its profits.

After careful consideration your committee advises the adoption of the following resolution:

Resolved, That the conference recommends to the Governments here represented the granting of liberal concessions to facilitate inter-American banking, and especially such as may be necessary for the establishment of an international American bank, with branches or agencies in the several countries represented in this conference."

J. M. HURTADO, *Colombia*.
E. C. VARAS, *Chile*.
CHAS. R. FLINT, *United States*.
SALVADOR DE MENDONÇA, *Brazil*.
MANUEL ARAGON, *Costa Rica*.

WASHINGTON, April 14, 1890.

[From the Washington Post, Wednesday, February 3, 1915.]

PAN AMERICANISM THE OBVIOUS OUTCOME OF THE WAR IN EUROPE.

The war in Europe has drawn a sharper line between the Old and New Worlds than could have been drawn by any other human agency. The Republics of this hemisphere are seen to be in a common family, not merely by propinquity, but by ideals which separate them immeasurably from Europe.

Democracy rules the New World, autocracy the Old. Peace and the prosperity of the common people are the New World's aims; selfish ascendancy by means of war is the Old World's aim. In the New World the worker has a chance. In the Old World he is food for power.

The United States, towering above the other nations of this hemisphere, and sponsor for the democracy that stands like a stone wall between the individual and the despotism of government, has before it the duty of considering its relations with Europe and the Republics of the New World. Are these relations satisfactory? Are they on a basis that will endure? Are the best interests of democracy served by present ties?

The first fact that strikes the United States in considering its relations with Europe is that there is no sympathetic bond between them. Europe is coldly formal with this country when it is not openly hostile. American rights are respected when it is to Europe's interest to respect them, or when respect is exacted by financial, commercial, or physical force. Taking their cue from the throne itself, the political and social leaders of Europe look with secret antipathy upon America. They see in democracy the enemy of all they cherish—pride of place, unearned wealth, concentrated power, mastery of the masses. They would rejoice over the downfall of democracy in the New World. The establishment of kingdoms and empires in this hemisphere would not be delayed a moment if the spirit of Europe dared to make the venture.

On this side of the ocean the United States sees sister Republics in varying degrees of advancement. Some are feeble, others are back-

ward, and a few are strong and progressive. In all of them is the divine spark of liberty and independence. All are at heart determined to survive, and to emulate the United States in spreading education and building up a citizenship that will appreciate self-government and maintain it against any assault.

The proper policy that should be pursued by the United States, in the light of the war in Europe, is very obvious. Already this Nation has guaranteed perpetuity of republican institutions in this hemisphere. Now, let it bring the Republics together in a common bond of defense, cooperation, and development. Let the Monroe doctrine become the doctrine of the Western Hemisphere, and not merely the fiat of the United States.

While Europe welters in blood, staggering under the burden of autocracies, aristocracies, and favored classes, the New World can be working out a common destiny of fraternity, commerce, and prosperity. There are leaders of thought in South America; there are strong, honest men in Central America; even in Mexico there are patriotic men who would lay down their lives for the sake of peace. Why can not they all meet in equality and friendship, charged by their respective peoples with the duty of evolving a Pan American policy—a policy that will serve as the charter of all future dealings between the democracy of the New World and the autocracy of the Old?

Under the congenial influence of a common bond of democracy, having liberty and independence for its object, the nations of the New World would soon turn a helping hand to one another. Commerce would flow freely among them, as a matter of course. The rich would help the poor, the peaceful would help the turbulent to recover its poise. With all American nations joining hands such a fester as the Mexican situation would be impossible. The nations would put a stop to it, both for Mexico's sake and for their own; and, above all, the way would be cleared for concerted intervention without incurring antagonism, or even criticism.

Already the first steps toward Pan Americanism have been taken by the action of certain South American nations in protesting against violations of neutrality by the belligerent nations of Europe. Further steps are being taken by the United States, in upholding the rights of neutrals at sea against the tyrannous and arbitrary naval power of Great Britain. The United States is making this fight for all the hemisphere. Thus it is bringing nearer, although perhaps unconsciously, the day when Europe will be confronted with the united spirit and force of the New World, speaking for democracy—for the individual rights of man, against the system which would keep him a machine.

[From the World's Work, December, 1914.]

AN AMERICAN BANK IN ARGENTINA AND BRAZIL—WHAT THE NATIONAL CITY BANK OF NEW YORK IS TRYING TO DO.

[By James H. Perkins, vice president National City Bank.]

The National City Bank has for a long time been considering in what way it could best relate itself to the movement for promoting our foreign trade. Thought on this subject took definite crystallization this last spring, when plans were made for a foreign banking and commercial service. If there had been any doubt regarding the interest throughout the country of such a movement, it would have been dispelled by the answers received from a thousand letters mailed in May to the leading manufacturers and exporters of the country. This letter was preliminary to the final steps the bank planned to take in connection with the establishment of foreign service. In addition to the serious consideration which had been given to the matter here, actual research work had been done by special representatives sent to South America to make a study of the situation and the necessities of our commerce there.

For commercial expansion in the South American field there is a distinct need for our own banking facilities, but under our previous laws it would have been necessary to form an independent organization with large capital to be on anywhere near equal terms with the banks already established there by other countries. American capital has been in such demand for the development of our own country that it was generally considered inadvisable to divert to South America the large amount necessary for such a project. The Federal reserve act, which was recently passed, has made it possible, however, to establish in a foreign country a branch of a United States institution, placing behind the branch the resources and prestige of the parent institution. It was therefore decided, in response to the active interest evinced by American business men, to take advantage of this provision in the Federal reserve act and establish branches in South America. The directors of the bank, on June 30, 1914, authorized an application to the Federal Reserve Board for the privilege of establishing a branch at Buenos Aires, Argentine Republic, and one at Rio de Janeiro, Brazil. Owing to the fact that the Federal Reserve Board did not organize until August 10, 1914, action was not taken on the application until September 2, when the privilege sought was granted.

Toward the end of June, Mr. Robert O. Bailey, who formerly was Assistant Secretary of the Treasury, and Mr. J. C. Martine, formerly manager of the Bank of Cuba, left for Buenos Aires to attend to the preliminaries coincident with the organization of the branch in that city. Their arrival in Buenos Aires was simultaneous with the outbreak of the war. Although confronted by many difficulties, all the details in connection with the establishment of a branch there have been completed. The legal technicalities necessary to comply with the Argentine laws have been arranged, banking rooms have been selected, and it is expected that the branch will be in operation by the time this is printed. In the meantime the organization of the staff has been proceeding, with Mr. John H. Allen, formerly manager of the Bank of Haiti, as manager. He sailed for Buenos Aires with a number of assistants on September 26.

The service that it is hoped to render will be of somewhat varied character. The letter of inquiry, to which reference has been made, sounded the needs of the exporter, importer, and manufacturer for reliable credit information in reference to foreign markets. The universally valuable credit information available in this country has accustomed our business men to the use of such information as an absolutely necessary part of the machinery for transacting business, and immediately foreign fields are entered where little if any such information is available, they find that the lack of well-constructed and tabulated facts regarding the business houses with which they expect to transact business proves a barrier to merchandising. Therefore, the inquiry made by the National City Bank met with an immediate response in which the need for such information was emphasized. Based upon this specific necessity and general suggestions made in replies to many other letters which have been sent out inviting counsel and cooperation, a commercial service has been outlined which, it is hoped, will develop to be of material aid in the upbuilding of our South American trade.

In order to answer the requests for statistical data and general information and to centralize the general work, it was found necessary to organize within the bank what is, in effect, a foreign trade department under the direction of Mr. W. S. Kies. A library of trade statistics of South American countries is being collected; the various governmental publications concerning statistics are examined and the facts of immediate interest collated; reports from the Department of Commerce, the excellent Consular Service, the Pan American Union, customs and general business information are being analyzed and arranged in such a way that they will be available for the information of business men who are contemplating taking up South American business or going into it on a more elaborate scale. The statistical work is in charge of Mr. O. P. Austin, former chief statistician of the United States. There is also kept on file in the library records from which information can be given on customs duties, port charges, trade regulations, shipping facilities, insurance costs, etc. The foreign trade department will further serve as a clearing house for the information received from the commercial representatives attached to the various branches and will serve as the medium by which exporters and importers can be kept in close touch with the activities of the branches.

The facilities to be offered by the branches themselves come under three heads:

1. The bank will furnish the facilities which are generally supplied by branch banks everywhere; that is, they will accept deposits, issue letters of credit, handle collections, and deal in exchange. The operation of the branches will create a market for the American dollar, with the result that gradually direct exchange will become a fact between South America and the United States. Under the Federal reserve act national banks may make acceptance of long-time bills growing out of foreign commercial transactions. This provision creates an opportunity for an American bill to be developed similar to the best known financial instrument, the London bill, which is now the chief medium in the world's commerce. The "bill" is now a "sterling" instrument. It will be possible under the new order to draw an increasing number of such bills in dollars instead of pounds, and the world market for the dollar should be enlarged to a point where it will take a prominent place in international exchange. Direct transfers by cable of funds from the branch to the parent bank, or from the parent bank to any bank in the United States, and vice versa, will become possible with the minimum of expense. Gradually a broad discount market for American bills will be developed and will undoubtedly go a long way toward encouraging the use of the draft on New York instead of on London in settlement of international transactions.

(2) The gathering of credit information will be one of the most important functions of the branch. As rapidly as possible the branches will collect reliable credit information concerning South American business and will at the same time be in a position to give the South American business people correct credit information about the people with whom they have transactions in the United States. The development of credit files will, of course, be a matter of evolution and take a number of years. One of the best credit men in the National City Bank has been sent to South America to develop the credit departments of the branches. Duplicate files will be kept in New York, so that the furnishing of this information may be as full and expeditious as possible.

(3) There will be attached to each branch one or more commercial representatives, who in a broad sense may be said to be the personal representatives of American business interests. These men will study trade conditions in the country to which they are assigned and will form cooperative relations with the foreign business men who are interested in the commerce of this country. They will thus be in a position to act as intermediaries and be able to assist the representatives of American business interests who visit South America. They will look for trade opportunities, and when such opportunities arise will communicate with the foreign trade department of the bank, which will be in a position to indicate these opportunities to the interested business organizations here. They will, furthermore, be in a position to make investigations of the possibilities for particular articles in the market, and, when an exhaustive investigation along some technical line is required, to employ a technical representative who will be competent and reliable. Many firms have already asked that preliminary investigations of this kind be made, and in numerous instances requests have been made that the representative purchase various articles in the original package to be sent to the American manufacturer, so that he may not only ascertain the character and quality of the article but the way the article is prepared for market, packed, labeled, etc. The commercial representative will also be able to give information regarding refused shipments, customs delays, etc., and in other ways will be of assistance in smoothing out difficulties that are encountered by the exporter.

In order that the information of a general nature collected by the commercial representative may be promptly disseminated, the National City Bank is issuing a publication called *The Americas*, devoted to the upbuilding of trade between the two continents. Whenever important information is received bearing particularly upon certain trades, special letters or bulletins will be issued to notify those who are likely to be interested. In order to provide some means of doing business with Argentina during the serious breaking down of the exchange markets, the National City Bank made an arrangement, pending the establishment of the branch at Buenos Aires, for an exchange of credits with the Banca de la Nacional, the national bank of Argentina. As a result a large amount of export and import business has been made possible which otherwise would have been greatly retarded by the war conditions.

As soon as possible the branch in Rio de Janeiro will be established, and probably there will not be much delay in doing this.

It is planned to develop the service gradually and in full cooperation with the Governments and institutions of the sister Republics of the south. The undertaking means large expenditures, and any ultimate profit which may come to the bank as a result of this work will be determined by the success made in broadening the markets for the American producer.

[From the Iron Age.]

UNITED STATES BANKS IN SOUTH AMERICA—DEFINITE DATA ON THE HANDLING OF CREDITS BROUGHT OUT IN DISCUSSION AT THE MACHINE-TOOL CONVENTION.

The paper of Vice President H. R. Eldridge, of the National City Bank of New York, on "The establishment of American banking facilities in South America," as read before the Machine-Tool Builders' Association in New York October 22 brought forth a most interesting discussion, which was chiefly a prolongation of Mr. Eldridge's remarks, but on lines in part suggested by questions from his audience. Thus there were brought out just the facts manufacturers want most to

know about the credit and banking side of business with South American countries.

In his address Mr. Eldridge said, in part: "That we could sell goods in South America in liberal quantities at this time is more than probable in view of the disrupted relations necessarily caused by the war, but that we would be justified in granting the long terms of credit to which they are accustomed is not so clear. These long terms of credit are directly the result of keen competition and are likewise responsible in no little degree for the financial conditions there prevailing."

DANGERS OF LONG CREDITS.

"All leniency should be shown in granting credit to responsible concerns, but when those terms go beyond the bounds of reason the road is paved toward the slough of speculation. If a merchant buys on six months' time an article which will be sold and realized upon within 90 days, he holds in his hands the proceeds 90 days longer than he should, and the temptation is constantly before him to either buy more goods, often beyond his needs, or to employ the funds in some line of speculation, both leading to undue expansion and often to financial failure. It would be well, therefore, not to be too liberal in terms of credit, even though the development of trade be retarded thereby, yet not unreasonably chary of granting terms of a favorable nature when conditions justify."

"The National City Bank of New York will open at Buenos Aires, Argentina, a branch, and as soon as practicable another at Rio de Janeiro, Brazil. The bank desires to do all it can to promote the increase of trade relations, and through its banking department offer a cheap and effective method of handling the exchanges between buyers and sellers. It is fully alive to the inconvenience probable exporters and importers suffer by the lack of dependable information of trade conditions, demands for certain lines of goods, shipping requirements, customs regulations and dues, a knowledge of the products of the various countries which could be imported into the United States to advantage, their character and the avenues through which they could best be had, and the numerous other branches of information so requisite for the proper handling of business obtainable. To permit of the dissemination of such information among American exporters and importers it is the bank's intention to maintain a corps of trade experts at each branch whose duty it will be to gather all the data possible that can be of benefit and to make it available in an intelligent manner through the columns of *The Americas*, which will be issued from time to time, and special bulletins when deemed advisable. Information of this character will, no doubt, be found quite valuable and may possibly prove the source of no little saving of expense to houses operating in South America. The service of this corps will be available to American merchants and special reports can be arranged for where desired. The bank will establish in each branch a credit department, and hopes within a reasonable time to be able to furnish exporters and importers valuable information as to the standing of South American dealers."

THE DISCUSSION.

S. H. Reck, Greaves-Klusman Tool Co., Cincinnati, started an important discussion when he said: "I think that the question every one of us would like to ask of Mr. Eldridge is, How we are going to have our sales in South American countries handled? We understand that German and English bankers have afforded exceptional facilities to German and English manufacturers and merchants for disposing of their goods in these markets, which are so far away that the individual manufacturer in most cases would find it extremely difficult, almost, you might say, impossible—except in the case of such great concerns as the General Electric, the Westinghouse, or the International Harvester—to satisfy themselves as to whether credits should be justly extended. It would seem, therefore, that that function of the American bank that would best serve us would be to pass upon the credits themselves. If the branch banks in those countries were to be merely offices through which discounts can be handled holding the American shipper primarily responsible, the offices of the bank will not be very helpful to us, and the American trade with those countries will not be greatly stimulated thereby. But if that bank is to perform the real function of a bank, to be an institution to which the purchaser in those markets who is worthy of credit can go and obtain funds with which to make purchases in this country, paying for the goods or obtaining an extension of the time necessary to pay for them from the American bank, then the American manufacturer and merchant will be aided in exactly the manner that the English and the German manufacturer have been helped in past years by German and by English banking institutions. If Mr. Eldridge can give us the results of the investigations he has been making as to how credits and discounts will be handled—if, for instance, one of us were to sell a bill of \$10,000 worth of machine tools to a house in Buenos Aires or Sao Paulo, whether we will be held responsible for the time we give or whether the bank will establish the credit basis and finance the transaction—that is what we would all like to hear very much."

DETAILS OF THE BANKING PRACTICE.

"Mr. ELDRIDGE. If you are entirely satisfied with the responsibility of the party to whom you are shipping you will be willing to sell him on ordinary terms of a draft payable in 60 or 90 days upon the firm itself. In that case, of course, you are not interested, providing you can get a market for that bill. But if you want to sell to some house that you are not very well acquainted with, be it in South America or in Europe, what you are going to require of that man is a reimbursement. He must go to some bank and arrange for that credit, and you in turn must accept that bank, providing the bank is satisfactory to you. But even in an instance like that you still, as the maker of the draft, remain the sponsor of the credit. You are responsible for your faith in that purchaser, and that is the custom the world over."

COMES BACK TO HOME PRACTICE.

"But of course the liability that you are assuming is very remote. That is the very reason that a prime bank's bill commands such a fine discount over a bill on a firm in England or Germany. No matter how well that firm stands, the bank's credit is regarded as better, and given firms are credited according to the risk involved. And that is exactly the arrangement that you have got to make in all your transactions in South America or in any other foreign country; and that is why so much stress has been laid upon the subject of domestic acceptances, because our country is so vast that its business could not be handled except upon some basis that permits you to sell to a house in Washington that you never heard of by drawing a bill against a bank there, if the bank will furnish the credit. That is the way it has to be done."

"Now there are undoubtedly houses in Buenos Aires, Sao Paulo, or Rio de Janeiro that the National City Bank of New York will be perfectly willing to purchase bills on. Where you are not satisfied with

the credit, certainly you have only one thing to do: If they want your goods, let them pay for them or arrange down there through their own bank. They can, if need be, make a deposit there and cable to you that such an arrangement has been made. There is no difference in methods of doing business with houses in South America in that respect and elsewhere, except that there is a certain amount of inconvenience in getting the necessary information on which to base your credits. We are endeavoring to get up our credit files, as we want to know something about the character of the bills that we have to buy. We are perfectly willing to purchase bills on the more responsible houses in South America as well as on the more responsible banks. For instance, if you want to make a shipment of machine tools to a house in Buenos Aires and they give you a credit against a well-known bank there we would buy it as readily as one against you or against any of the other banks there whose standing we are familiar with as first class. We would be perfectly willing to buy those bills, if your customer finds it more convenient to give them to you.

"Mr. RECK. The manufacturer here, then, will be just as able to rely on the credits recommended by the National City Bank of New York in those various centers as he would be on the recommendations of any of the banks in this country on which he is accustomed to rely?"

BUILDING UP CREDIT FILES.

"Mr. ELDRIDGE. Exactly. Wherever you sell a bill of goods to a party that you don't know thoroughly or it involves a large amount, you are very careful to revise your credit-information data. It is the intention of the National City Bank of New York City to build up its credit files so that they will be as nearly accurate for that region as it is possible to make them, and we shall endeavor to give not only every customer but any American merchant inquiring the benefit of them. We do not insist that you do business with us to get this information. All you have to do is to ask us for it; we are willing to give it to you. We shall endeavor to be prepared to give as close information as is possible to obtain; but in a country where Dun and Bradstreet have found that only 18 per cent of the merchants are willing to give a financial statement, you can imagine what a difficult problem it is going to be. We have to rely a great deal upon reputation, but are going to get as good experts as we possibly can and dig down deep as we possibly can without having them throw us out of doors. We want to secure such information as will render it fairly safe to do business, and we propose to back up our faith; that is, where we honestly believe the merchant is first class and will pay his bills, we will accept bills for them.

"Mr. RECK. Mr. Eldridge, every member of this association is heartily in accord with your action. The establishment of workable bases of credit is one of the necessary moves that must be made; it is pioneer work which, together with means of transportation, must precede any successful effort to get that trade.

LITTLE PROFIT IN PIONEERING.

"Mr. ELDRIDGE. I may say to you in passing that the National City Bank is not expecting to make very much money out of this proposition for a good many years to come. On the contrary, we look forward to giving up rather liberally in the way of our preliminary expense. We further realize that as soon as we blaze the way, if the thing is a big success, doubtless a great many other banks in this country will find it to their interest to establish branches there, and we will heartily welcome them, because the bigger the field the better for our country and for all of us.

"One of the great advantages of a foreign trade is readily understood when you take into consideration that every dollar of merchandise that leaves your shores for a foreign country gives you a call upon that country for \$1 of gold, and that gold is the standard of value and the basis of all credit. The more we can protect the gold reserve of this country the more do we protect our merchants, our industries, and the cheapness with which credit may be obtained. Active foreign trade is one of the most desirable things that any country can possess, because it creates a tremendous call upon the gold of the world and forces the other countries who are our buyers to either give of their products in return or of their gold.

WEALTH FROM FOREIGN TRADE.

"Naturally any country that can develop a great foreign trade will develop a good import trade in the products of the country to whom our exports go. That country must in turn ship to us its products in order to reduce the balance of trade against it. The reason that London was able to hold its tremendous position in the business world lies in the fact that it is the clearing house of the world, where all international credits are settled. A draft on London is always given preference over a draft on Paris or on Berlin, because everybody can use it. On exactly the same principle a merchant down in, let us say, Memphis, Tenn., finds that he can not use St. Louis exchange as conveniently as he can New York exchange, because he has a greater call for New York exchange.

"That is the reason that London retains its tight grip upon all the countries of the world. It is this which enables London on a little old \$250,000,000 of gold in normal times actually to control the commerce of the world. It finances the commerce of the world on a stock of gold not one-sixth of what we have in this country; and the reason that we in this country are not taking advantage of the great gold stock we have, which is double that of any nation in the world, is because we have never had the good sense to provide for its mobilization.

"We do not need gold certificates to circulate among our people. What man feels safer because he has a gold certificate in his pocket than if he had a national bank note? One is just as good as the other. Through our Federal reserve act we have taken a long step forward toward perfecting our financial system and improving financial conditions. You are going to see in the course of the next five years a great change in the way of doing business. We are gradually approaching scientific methods. We have been blundering in the dark in the past.

THE OUTLOOK FOR BETTER BUSINESS.

"I think we can all look forward to better business conditions when this great war is settled. We are going to be a long time recovering from the effects of the war. Our foreign trade is temporarily going to be larger than it has been in the past. The nations that are at war will be compelled to buy from us, because we are the only great nation capable of supplying them foodstuffs and articles of war that they must have. Logically, as long as the war continues, so long must we continue to make large exports, because they have got to have what we can sell them. That is going to help us; it is going to permit us, in a way, to protect ourselves, by the credits that must necessarily be established to purchase those things, against the load of securities that they may dump upon us.

"Personally I do not think that they are going to dump those securities upon us in the amounts that some have anticipated, for the simple reason that a man is going to want to sell, as a general thing, that which he thinks the least of and keep that which he most values. American securities to-day of a standard kind are the best available securities in the world, because this Nation is at peace and there is no reason why our securities should not continue paying dividends as they fall due. Therefore they are reliable, and the man who is not used to work, the man who is living on an income and could not make a living in any other way than clipping coupons, is going to give that very great consideration. Therefore I think that when this war is over, if it lasts one or two years, as a great many think it will, we will be in pretty good shape. But let us not delude ourselves with the idea that we are about to enter upon a great era of prosperity, because capital can not be impaired, permanent improvements can not be destroyed, human life can not be destroyed as it is being destroyed in Europe to-day without affecting the whole world. We are bound to feel the results, but we will feel them less than any great nation in the world.

"When this great struggle is over and the balance of trade is struck on the books you are going to find that your Uncle Samuel stands mighty well through having kept out of war, and will be able to show a better trial balance sheet than any nation on earth, and be able to go ahead and do business better than any of them. Then will come the time when we will realize the great value of mobilizing our gold reserve. We will by that time have still further added to it, because it will be hard to take it away from us when once we get on our feet, and then is the time when we can talk about financing other countries.

"Mr. C. WOOD WALTER (Cincinnati Milling Machine Co., Cincinnati). You have described the function of those American banks as regards credit. Does the German or the English bank do any more than just that for the trade of those countries down there?"

THE REASON FOR LONG CREDITS.

"Mr. ELDRIDGE. They finance bills, and they have been, as I understand it, quite liberal in their financing. That is, they would accept for various houses there—assume the credit responsibility themselves to a considerable extent where it was a very desirable customer. You understand that England and Germany have been right at one another's throats for business. Deep down in their hearts that is what has been the matter between England and Germany for a good while. England, for instance, had the South American trade pretty well in hand when Germany stepped in; England was selling its goods practically upon a 60-day basis. Germany came and, finding it hard to get the business, and realizing that most people are very much tempted by being able to get good credit, said to them: 'England makes you pay in 60 days; we are not hogs like them, we will make it 90' [laughter], and immediately a great deal of the English trade began drifting to the Germans. England comes up to the scratch and says: 'Germany is not as lenient as you think she is; we will make it 4 months.' And so it went on until they got it up to 6 months for goods that had always before been sold on 60 days' time.

"That was a very nice thing for the Argentine merchants; at least they thought so. As a matter of fact, it was one of the worst things that could have happened to any country, because when you sell goods on terms longer than you should and the purchaser realizes on them and gets the money in his jeans it always burns him. He can not resist the feeling that here is an excellent opportunity to buy a piece of property or make some less safe investment in a booming country, where land values fluctuate rapidly, and by the time the account really falls due his money is tied up or he has failed to make a profit on the investment. He may have gone into a losing speculation. I think that situation has developed disadvantageously in South American countries, especially Argentina.

CREDITS SHOULD BE SHORTENED.

"If therefore, trade is pushed with Argentina, it should be established on a solid business basis. Any of you can see the justice of that for yourselves and will recognize the truth of these observations. If a man does not have to pay anything for a good while, he begins to think he may never have to pay it. I know, as a banker, that I have met a great many people who never think of paying even when you suggest it to them. I have known merchants that go along year after year and never pay up. As long as they keep themselves in a solvent condition you are perfectly willing to loan them money; it is a safe risk. But you let a fellow get the idea that he can get credit as much as he wants and that he can extend whenever he wants to and there is no need of ever paying up on time—that man is in a precarious condition. His business is not being run in good shape, and his head may go under at any time that a stringency develops in the money market. But the man that keeps his business in good shape and has always ready assets sufficient to pay his bills as they fall due is a far more desirable customer. He is a good risk, and can always get money, no matter what sort of financial weather prevails."

[From the Bankers' Magazine, vol. 82, pp. 518-519, April, 1911.]

LATIN AMERICA—AN INTERNATIONAL AMERICAN BANK.

[By Elmer H. Youngman, editor of the Bankers' Magazine—Address before the Pan American Commercial Conference, Washington, D. C., February 17, 1911.]

Before entering on the discussion of a proposal to establish an American bank in Latin America or other foreign countries, it might be well to inquire, first, whether or not such a bank is needed; and, second, if found to be needed, what sort of bank it ought to be. These are very simple questions, perhaps, but to my mind they are of great importance. First, as to the need of an American bank, or banks, in Latin America, opinion is far from being unanimous. We are told by some that the existing banks stand ready to supply all facilities necessary to carry on trade between the United States and Latin America, and that no necessity exists for establishing American banking institutions for further developing our commerce. That view, I think, is not entertained by those who have a practical first-hand knowledge of the subject.

Banking is not an entirely passive and impartial instrument of commerce. The railway or the ship may, possibly, be as ready to carry the goods of one nation or of one merchant as of another. Not so with banking. Each bank has its clients, as the lawyers have theirs. A bank selects its dealers, and deals only with whom it chooses. Sometimes the selection may be made from the standpoint of location, of particular lines of business, even of nationality. Banking may be cosmopolitan in many of its aspects, but the considerations named—and others that might be cited—have an important bearing on the business of those who deal with banks.

Besides, in many portions of Latin America, as in all partially developed countries, a bank is other than a mere institution of deposit

and discount. It assumes not infrequently the duties of a financial and commercial agent, with functions much wider than those pertaining to banking as generally understood.

If anyone from the United States should be in any country of Latin America with a view to carrying on some particular enterprise that required banking assistance, to whom could he turn most confidently, to an American bank, to a native local institution, or to a French, German, or English bank that might possibly be interested in defeating his efforts in favor of some rival? To ask this question is to answer it. And yet this is but one phase—and perhaps a relatively unimportant one—of this problem.

Certainly few would be so rash as to claim that the banks in this country have a thorough knowledge of Latin-American credits, or that they are prepared to grant credit on the terms necessary to place us in a position to compete on terms of equality with the European manufacturer or merchant in securing Latin-American trade.

Nearly every activity of production and trade comes into contact somewhere with the business of banking. The perfection of a country's commercial machinery—its smooth and effective working—depends very largely upon the character of its banks. Trade between nations arises, of course, from the demand existing in one country and the ability of another country to supply that demand at the right price. But this ability to furnish goods at a salable price will, to no small extent, be governed by the efficiency of the banking machinery. We need not stop to inquire whether banks create commerce or not. It is enough to know that they greatly facilitate it.

There is no doubt whatever in my mind that an American bank, properly organized and wisely managed, would be a powerful agent in extending our enterprise throughout Latin America and in developing our commercial relations with our southern neighbors, to the great advantage of all concerned.

Primarily this question in its narrower commercial aspect resolves itself into a matter of profit. If our banking capital can earn good profits in Latin America or elsewhere, why should we debar it from going there, and under the conditions most favorable to success? For example, can any good reason be given why our national banks, of large enough capital, should not be given the privilege of establishing branches in Mexico and Cuba, now exercised by the great chartered banks of Canada?

Second, if it be conceded that our banking relations with Latin America are capable of improvement, and that our banking capital should enter that field, it next becomes necessary to consider what kind of bank would be the best. The national bank act prohibits, and, as I believe, wisely prohibits, a national bank from having branches. I can see no good reason, however, why our national banks of very large capital might not be permitted, under proper regulation, to have branches in the chief cities of Latin America and in other foreign countries.

But I do not believe this to be the best solution of the problem. The European nations, as well as Japan and Mexico, have learned the value of specialization in banking—the desirability of organizing banks adequately equipped with the powers for doing the work in hand. Some time we shall adopt that principle here. Let us adopt it now if we are to enter the foreign banking field with any hope of success. We must not venture into that field in our weakness, but in our might. I think we have had enough already of weak attempts to establish American banks in certain foreign countries with a result that might have been foreseen.

If we are to have a foreign bank worth anything, its capital must from the outset be large enough to command respect, and its management must rigidly conform to the soundest requirements of banking. An institution that would not only promote enterprise and develop trade, but that would add to our prestige and increase the respect of others for our business methods.

While it is very natural and proper that a bank of the character mentioned should find its first sphere of operations among our neighbors of Central and South America, I am of the opinion that its sphere should not be limited to those countries. I believe the time to be ripe for the formation of an international American bank, with a capital of not less than \$100,000,000, having its head office in New York, with branches in Chicago, St. Louis, New Orleans, San Francisco, and in the great commercial centers of the world. It would, of course, be one of the first duties of such a bank to do everything essential to the mutual development of trade and enterprise between Latin America and the United States.

It is beyond my purpose at the present time to elaborate a plan for the organization of this bank. That is a detail for future consideration. Whether or not the sanction of Congress could be had for such an institution I do not know. The prestige afforded by a Federal charter would be helpful, but may not be indispensable. It might be advisable to organize first under State laws a pan-American bank, and the capital might be partly furnished here and partly in the countries where the banks are to be located. It may be remarked in passing that the trust company is something practically unknown in Latin America. There are legal difficulties in the way of establishing such institutions there, though these may be overcome. Judging from the experience of the trust company in the United States, Latin America ought to furnish an inviting field for the establishment of such institutions. In fact, a movement is now under way to organize a trust company in one of the principal Latin-American nations. The particulars of this movement I am not at liberty to disclose.

One thing we must remember—there should be international reciprocity in banking as well as in trade. If we expect to invade Mexico, Central and South America with our banks, we must expect the banks of those countries to come here. And if we restrict the operations of their banks here, we may expect them to throw like restrictions around our banks there. Already many foreign banks have agencies in New York and other American cities, but the State laws generally prohibit these agencies from doing a banking business; that is, they may not receive deposits, and thus their ability to make loans is largely curtailed. Can we reasonably expect that Latin America will allow privileges to our banks which we deny to theirs?

As the importance of the United States as an exporter of manufactured products grows each year and competition becomes keener the need of an institution like that herein suggested will become more and more apparent. It is wise to discuss this question now. It would be wiser perhaps to stop discussion and begin to take action.

One thing should be borne in mind—that the interests of those whom we are seeking to make our customers should be most carefully regarded. A Latin-American bank whose operations might in any way serve to provoke the antagonism of the banks already existing or that would meddle in political affairs might do much more harm than good. But a Pan American bank, or one of the broader scope indicated, prop-

erly organized and rightly managed, would be a powerful instrumentality in developing enterprise and trade, to the mutual benefit of ourselves and of the other countries concerned.

[From the Banking Law Journal, vol. 27, pp. 305-309, April, 1910.]

AN INTERNATIONAL AMERICAN BANK.

[By Maurice L. Muhleman, author of "Banking Systems of the World," etc.]

Considerable discussion has recently been caused by a proposition to establish an international bank under the auspices of the United States to be devoted to facilitating commercial and financial transactions between the several countries of the western continent.

This proposition is a reminder of the strange indifference shown by our Federal legislators to some of the most important enterprises in which the capital of the country could be profitably employed, at the same time furnishing us with a most powerful instrument to increase our business with the rest of the continent lying practically at our doors. Had we spent one-half as much in the way of developing the friendly commercial relations with South and Central America as has been spent to wrest trade from nations in the Orient we should have had results that would have warranted the outlays many times over.

Efforts are now being made to induce Congress to enact a reasonable law providing for subsidies to ships plying between our ports and those of South America. If properly adjusted and then properly carried out, the investment of several millions of dollars in a series of years in this way by the Government would unquestionably prove profitable to our business interests. The conditions for the development of our trade in that direction are particularly favorable at this time, and the President is justified in bringing his influence to bear upon Congress to accomplish the desired result. It is to be hoped that the elements that defeated similar projects in the past will not be permitted to dominate in Washington this year and defeat the enactment of the necessary legislation.

But we do not only require ships of our own to promote our commercial interests in South America; we need also that which every other nation of importance possesses—a bank that shall act as the handmaid to the commerce. Although there has been a little improvement in the conditions bearing upon our exchanges with countries to south of us, it is, upon the whole, still as true as it was 20 years ago that the bulk of that commerce pays a heavy banking toll to European countries, a toll that necessarily constitutes a tax upon our trade and prevents its development in the degree that the South American trade of other nations exhibits. We are the largest buyers of the products of these States, but we are far behind several countries of Europe in selling goods to the Latin Americans.

The project to establish a Pan American bank took definite shape in 1890, when a special committee appointed by the International American Congress—which had been convened in Washington by our then Secretary of State Blaine—recommended that the United States take the initiative in providing a banking institution to lessen the cost of exchange and promote the commercial relations between the countries. A bill to establish such a bank was then prepared, but failed to receive the approval of Congress. Another vigorous attempt was made in 1897, but again there was a lack of sufficient interest and business intelligence, and the bill was permitted to die. It is doubtful if even now there is a fair chance for such legislation, although considerable activity is being displayed by friends of the measure.

It is proper to say at the outset that the Government is not asked to contribute one dollar to the capital of the proposed bank or to assume any responsibility for its obligations. All that is asked is that it shall give it a charter, because no State charter would suffice for the purpose, and in many of the States such a charter could not be had. It is proposed to permit the Government to exercise supervisory powers through the Treasury Department, and the principles governing the operations of banks of a similar character chartered by foreign nations are to be applied in its case.

Manifestly the bank must have branches at all of the chief ports on the American Continent south of us; the head office would be located in New York City. As the business develops, agencies and branches would be established at other places, such as New Orleans, San Francisco, etc., which ports carry on very considerable trade in that region now, and may be expected to increase it.

The report of the committee of the conference, made in 1890, pointed out very succinctly and cogently why such an institution is needed; only one of the members of that body was a citizen of the United States, the others representing various Latin-American States participating in the conference. The commerce of the West Indies, Central and South America was then valued at some \$1,200,000,000, of which the share of the United States was \$283,000,000, \$181,000,000 representing our purchases from them. To-day our commerce with South America alone is nearly \$280,000,000; our purchases in 1909 amounted to \$193,000,000; our exports to only \$83,000,000. This shows the heavy balance against us.

The great bulk of the purchases by Latin America is made in Europe; the great bulk of its trade with us is carried in European ships, and is adjusted by exchange upon European banks, which have branches in every important place in the Southern American Continent. The committee estimated that the tax on our trade paid to European bankers for exchange alone was at the rate of three-fourths of 1 per cent. Since that date the aggressive policy of Germany and the growth of French and Italian interests, particularly in Brazil and Argentina, have probably caused some reduction in the tax rate. But it is still of sufficient importance to make it a burden upon the trade.

The process of financing transactions is clearly described in "The Discount System in Europe," by Paul M. Warburg, recently published by the National Monetary Commission, from which the following is quoted:

"If an American merchant buys coffee in Sao Paulo, he will generally pay for it by opening for the shipper a documentary credit in Europe—that is to say, the American purchaser makes an arrangement with the European banker by which the latter agrees to accept, let us say, a three months' bill drawn on him, with shipping documents attached, covering a certain shipment of coffee, the amount to be drawn being the equivalent of the amount due by the American purchaser to the South American shipper. The shipper will have no difficulty in selling to a bank in Sao Paulo his bill drawn on a first-class European banking house, and thus will promptly secure the money due him for the goods sold. The local bank in Sao Paulo will buy the bill without hesitation, because it knows that it need only send this foreign bill to England, Germany, or France, as the case may be, where, owing to the extensive

discount market in these countries, it can immediately rediscount the bill, thus securing repayment in cash for the amount invested. Indeed, if the Brazilian bank prefers to do so, it can at the moment of shipment, by cabling to Europe, fix the discount rate at which the bills will be discounted upon their arrival in Europe.

"When the bill reaches Europe the drawee puts his acceptance on it, and having thus obligated himself to pay the bill when due, the documents are in most cases released and sent to the American purchaser of the goods who opened the credit with the European bank. Of course, the American purchaser pays a commission to the European banker for the service rendered. The compensation depends on the standing of the purchaser and, in part, on the question of whether or not the documents are to be released upon acceptance—the American purchaser obligating himself to put the bank in funds before the bill falls due—or whether or not the documents are only to be given up by the accepting bank against cash payment by the purchaser. It may be said that the average compensation for such acceptance is between a quarter of 1 per cent up to three-quarters of 1 per cent for three months, according to the conditions of the case."

The existing system naturally diverts trade to Europe. If to-day one wishes to go to a South American port below the north coast, the most direct route is by way of Europe. Great cargoes of coffee, hides, etc., come to New York from Rio Janeiro and Buenos Aires, chiefly in foreign bottoms, of course; but most of the ships, instead of taking return cargoes here, carrying our manufactured goods back to pay for our purchases, take bills of exchange upon London or Hamburg, proceed to those ports, empty, if need be, to take the British and German shoes, textiles, etc., to the people in Brazil and Argentina.

It would appear, therefore, almost necessary, and certainly desirable, to develop our transportation facilities coincidently with the creation of a Pan-American bank. These two improvements should be brought about at the same time—and as soon as practicable. Already the situation is rendered more difficult than it was 10 and 20 years ago by the increased competition for business since Germany began its well-planned and well-executed program of taking trade from Great Britain. It will require much careful and well-directed work to place us even in third rank in commercial and financial importance in South America as a whole. But we shall fall behind much more if we permit opportunities to pass without action.

To illustrate the power of the present competitors that are in the field, it will be sufficient to take a recent statement of banks in Argentina, which gives the British institutions deposits of approximately \$95,000,000, the one controlled by Spanish \$60,000,000, the French one \$25,000,000, the German ones \$20,000,000, and the Italian institutions \$50,000,000. All of these corporations are making handsome profits and are helping very materially to promote the trade between Argentina and the countries which they represent there. We can not expect to compete with these nations unless we equip ourselves adequately. In order to do this we must look to Congress.

It was through favorable legislation that Germany and the other nations succeeded in wresting from Great Britain the practical monopoly of that great market, which had been hers for generations merely by reason of acute business judgment and wise statesmanship. All of these countries except Spain are farther away than we are from the chief South American ports, yet all do relatively a much larger business there, and what should give even more cause for consideration by us, they all take toll from us through their banks. It was well said by the Committee on Banking and Currency of the House of Representatives in 1897 that a condition more humiliating to the people of the United States can hardly be conceived.

It is high time that something be done both by way of improving transportation means and by way of providing banking facilities. The way is open; the representative South Americans who have discussed these questions with our representatives would welcome these steps; they would in fact assist in many ways toward the establishment of the bank, including the investment of their own means in the capital thereof. With such an institution at work there would, to again quote from the committee report mentioned, "be a stimulation of intercourse, commercial and financial, such as would surprise those who are content to transact American business through European bankers."

It developed at that time that goods produced by us and shipped to Europe were actually reshipped from there to South America at a profit which the committee said "we are too slow or stupid to secure for ourselves." With the proper facilities these goods could evidently have been provided by us for South American use more cheaply, and the South American, who is not abnormally fond of paying high prices, fully appreciates this fact. But he is helpless; he looks to this great and wealthy nation to take the steps necessary to correct this absurd condition to the advantage and profit of both.

There have been public men who have questioned the constitutional authority of Congress to charter such a bank, but that question is to-day no longer a rational one; only the most hide-bound bourbon could entertain such an opinion in the face of the decisions of our highest court from the days of Marshall down. The regulation of conditions bearing upon our foreign commerce is specifically placed in the hands of Congress by the Constitution; it may use such means as seem to it judicious and not otherwise forbidden to carry out that purpose. The benefit to the Nation is finally to be regarded as a determining factor in settling the question.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. MONDELL. Mr. Chairman, I yield one hour to the gentleman from Pennsylvania [Mr. TEMPLE].

Mr. TEMPLE. Mr. Chairman, the shipping bill now under discussion throughout the country may come before the House at a time when debate will be limited, and action hurried by caucus requirement. I venture, therefore, to take the opportunity now to lay before the House certain considerations concerning it which ought to have an influence in forming the judgment of men who will have to vote on this important measure. When a similar bill involving a transfer of belligerent merchant ships to a neutral flag was before us on August 3 I spoke as follows:

Now, it seems to me that if this bill is passed it will not create any more vessels. We will have to buy, if we buy at all, either vessels that belong to some of these belligerents, in which case the question of fraudulent transfer will be raised, or we will buy vessels that belong to citizens or subjects of some neutral power. They will be just as free from capture under any other flag as they would under ours. If

we buy belligerent vessels, we are hunting trouble. The neutral vessels we do not need to buy, because we can ship our goods in them without buying them.

Now, it seems to me, with the definite announcement which has been made here that this bill is intended to be an emergency bill to meet the situation caused by the European war, the presumption of fraud in the transfer of foreign vessels to American registry would be held by a belligerent to be very great. Therefore the dangers that lie in this bill seem to me to be so great that I must vote against it.

To recapitulate: There are four ways in which the war is going to interfere with our foreign commerce. First, many merchant ships of the belligerents will be called into the naval service of their respective countries. Second, those that continue in the merchant marine will be subject to capture. Third, neutral ships carrying contraband will be subject to capture. Fourth, blockades will seriously interfere with all commerce bound to any of the countries engaged in the war.

We can not buy merchant ships of the class first mentioned; they will be in the navies. If we buy ships of the second class, we buy trouble. It will be of no use to buy vessels of the third and fourth classes, because as neutrals they already have all the rights they would have with American registry.

Further, on August 28, when the marine war-risk insurance measure was under discussion, the following colloquy occurred:

Mr. STAFFORD. I have in my hand the report of that conference (referring to the London conference of 1907), to which our Government was a party, which reads as follows:

"The transfer of an enemy vessel to a neutral flag effected after the outbreak of hostilities is void, unless it is proved that such transfer was not made in order to evade the consequences to which an enemy ship as such is exposed."

Mr. UNDERWOOD. It was vetoed by the English Government before it ever was adopted.

Mr. STAFFORD. Our Government committed itself to this principle, and the signatory powers submitted this rule to others for the guidance of the international prize court that was to be established pursuant to the recommendations of the second Hague conference.

Mr. TEMPLE. The Italian Government in its war with Turkey adopted this as its policy, in spite of the fact that it had not been ratified by the powers, and Great Britain and France have since announced they intend to act on the declaration of London, although not ratified.

And, again, on August 29, when the same bill was under discussion, I spoke as follows:

Now, it is a mistake to say that Great Britain vetoed that declaration. Great Britain signed it and the British Cabinet approved it. There is no ratification of a treaty in the Parliament, in either house, in Great Britain. Ratification is an executive act, according to the practice of the British Government, and is done by the cabinet. The status of this declaration of London in British law is perhaps about what the status of the Colombian treaty would be—the treaty that promises \$25,000,000 to Colombia—if it should be ratified by the Senate and the House should fail to make the appropriation of \$25,000,000. That would be a treaty signed and agreed to by the ratifying power, but failing to go into operation, because the legislation necessary to put it into operation failed to go through the House.

That is the status of the London declaration in British law. It was signed by the representatives of the British Government. It was approved by the cabinet. The Government prepared a bill to modify existing domestic law in England to bring it into harmony with the declaration of London. That bill passed the House of Commons, but failed in the House of Lords.

Mr. Chairman, before going into a discussion at length of the provisions of the declaration of London a short narrative showing the origin of the document would be in order. There has long been a difference in the practice of the nations with regard to a good many things covered by maritime law. We talk about international law, and international law is real. It has been ordinarily observed by nations at war and at peace; but with regard to maritime law there has been little uniformity, because there has been little agreement among the powers. The cases that come up—cases of contraband, whether absolute or conditional; cases involving the destination of conditional contraband; cases involving blockade, whether involving a neutral ship or an enemy or one that sails under the flag of the captor—all alike are tried in the court of the captor, and the courts of the various countries have followed different rules. There has been a general agreement as to the principles involved, but the principles have been variously applied under rules adopted by each power for its own courts. To meet that situation it was proposed at the second Hague conference in 1907 that an international prize court of appeals should be established, to which appeals might be taken from the decisions of the prize courts of the various nations. A treaty was drawn up and signed by the representatives of most of the powers at that conference. Certain objections developed later, however.

When the question of ratifying the prize-court treaty came up in this country there was objection upon the ground that we ought not to submit decisions of the United States to review by any court anywhere. This was to be an international prize court of appeals. Appeals may be taken from our ordinary prize courts—generally a United States district court acting as a prize court—to the Supreme Court of the United States. We were not willing to have the case appealed from the Supreme Court, and thus subordinate it to any court established in any part of the world.

Mr. YOUNG of North Dakota. Will the gentleman yield?

Mr. TEMPLE. I will.

Mr. YOUNG of North Dakota. Will the gentleman state whether a similar appeal is allowed, for instance, in the prize courts of Great Britain or France or Germany, to their higher court?

Mr. TEMPLE. To their higher courts?

Mr. YOUNG of North Dakota. Yes.

Mr. TEMPLE. Yes; the British naval prize act permits an appeal to a higher court, and so does the law of most, if not all, of the maritime powers.

Mr. MONTAGUE. Will the gentleman yield?

Mr. TEMPLE. I will.

Mr. MONTAGUE. I had not the pleasure of hearing the gentleman, but the subject upon which he is now talking is very interesting and a far-reaching one. Could not the objection, which touches our pride as respects an appeal from the United States Supreme Court to the international court, be obviated by permitting the appeal to go directly from the district court or the circuit court of appeals to the international court rather than through the medium of the Supreme Court?

Mr. TEMPLE. It was obviated in another way. The signatory powers agreed to an additional protocol to the original prize-court treaty which met the objection, and the treaty was afterwards ratified by the Senate with the protocol as an original part of the treaty. The protocol provided that powers which are prevented by difficulties of a constitutional nature from accepting the treaty in its original form shall have the right to declare in the instrument of ratification that recourse to the international prize court can only be exercised against them in the form of an action in damages for the injury caused by the capture.

When the Senate advised the ratification of the treaty it did so on the condition that such a declaration be made in the instrument of ratification. It follows that a case settled by the Supreme Court of the United States would not be reviewed in the international prize court.

That was not the only objection, however, to the international court of appeals. Great Britain objected to it on other grounds. The seventh article of the treaty to establish the prize court is as follows:

If the question of law to be decided is covered by a treaty in force between the belligerent captor and a power which is itself, or whose subject or citizen is a party to the proceedings, the court is governed by the provisions of the said treaty. In the absence of such provisions the court shall apply the rules of international law. If no general recognized rule exists, the court shall give judgment in accordance with the general principles of justice and equity.

The last provision, that in the absence of treaty regulations and in the absence of recognized rule of international law the court shall give judgment "in accordance with the general principles of justice and equity," was deemed by the British authorities to be somewhat indefinite. "The general principles of justice and equity." That phrase might mean many things. Great Britain, in order that there might be recognized rules for an international prize court to follow, called a conference of the powers, which met in London.

The call was sent to 10 of the more important maritime powers of the world, including the six great powers of Europe—Germany, Great Britain, Austria-Hungary, France, Russia, and Italy—together with the United States, Japan, Spain, and Holland. In sending out her invitation the English Government declared "that it would be difficult, if not impossible, for His Majesty's Government to carry the legislation necessary to give effect to the treaty establishing the prize court 'unless they could assure both Houses of the British Parliament that some more definite understanding had been reached as to the rule by which the new tribunal should be governed.'" I quote from the call sent out by Great Britain to the maritime powers.

Mr. GARNER. Would it disturb the gentleman if I asked him a question?

Mr. TEMPLE. Not in the least.

Mr. GARNER. If I understand the gentleman's definition of the condition of this treaty of which he has spoken and the protocol, it was that you could go directly to this Hague tribunal and sue for damages?

Mr. TEMPLE. Yes.

Mr. GARNER. Suppose that in the meantime the Supreme Court of the United States had held that the capture of a ship was legal, and later on The Hague tribunal should hold that the American Government was liable for damages. How would you enforce the decision of The Hague court, realizing that you would have to come to the Congress of the United States for an appropriation? Would not there be some difficulty in getting this body to accept The Hague tribunal's decision as against our own Supreme Court?

Mr. TEMPLE. The treaty obligation provides for a suit for damages, and I imagine that a treaty that has been approved by the Senate of the United States looking to this purpose would have very considerable influence with the House of Representatives. I do not know whether it would or not in the case of the Colombia treaty, but I think, in connection with a treaty of this kind there would be little doubt, if any, as to getting this House to make the appropriation which such action by the international court would require. But to continue with the narrative.

Mr. MONTAGUE. Would it disturb the gentleman if I asked him a question in connection with the one just suggested by the gentleman from Texas?

Mr. TEMPLE. Not at all.

Mr. MONTAGUE. Does the gentleman know of any adjudication by an international tribunal, whether it be an arbitration board or not, which has never been submitted and conformed to by the nation interested? Do I make myself clear?

Mr. TEMPLE. I do not know of any requirement that has ever been imposed on any nation by a board of arbitration that that nation has refused to meet.

Mr. MONTAGUE. I know the gentleman has studied matters of this sort and I wanted his opinion whether or not the prospects of the peace of the world are not very hopeful, so far as our past experience is concerned, in that all arbitrations heretofore rendered have been submitted to?

Mr. TEMPLE. The standard of honor among nations has ordinarily been higher than the standard of honor among men individually.

Mr. GARNER. Will the gentleman let me make a short statement in that connection?

The CHAIRMAN. Does the gentleman from Pennsylvania yield to the gentleman from Texas?

Mr. TEMPLE. Yes.

Mr. GARNER. Under our treaty-making power the President and the Senate of the United States negotiate and confirm a treaty with a foreign nation. They even make treaties obligating this Government to pay certain sums of money annually. This House on three different occasions since I have been a Member of it has refused to carry out the provisions of that treaty by refusing to carry the appropriation. So the result is that any treaty made by our Government which obligates this Government to settle a financial transaction has got to come back to the House of Representatives, and the House of Representatives, in the original instance, might not have confirmed the treaty.

Mr. TEMPLE. I am glad to have the gentleman's statement.

Now, the powers accepted the invitation that had been extended by Great Britain to send representatives. Prof. George Grafton Wilson, of Brown University, lecturer also at Harvard University and at the Naval War College, and Admiral Stockton were representatives from the United States, both of them known and recognized far and wide for their familiarity with questions of international law. The London declaration of 1909 was the result of that conference. Great Britain called the conference for the purpose of determining what are the general recognized principles of international law. I quote from the call:

His Majesty's Government therefore propose that another conference should assemble during the autumn of the present year with the object of arriving at an agreement as to what are the generally recognized principles of international law within the meaning of paragraph 2 of article 7 of the draft convention, as to those matters wherein the practice of nations has varied, and of then formulating the rules which, in the absence of special treaty provisions applicable to a particular case, the court should observe in dealing with appeals brought before it for decision.

Let me call attention to the distinction made in that call between rules on the one hand and generally recognized principles on the other. It was for the purpose of arriving at an agreement as to what are the generally recognized principles of international law, and then for the further purpose of formulating the rules which should interpret and apply those generally recognized principles.

Let me read also from the general report presented to the naval conference on behalf of this draft committee. After speaking of the work that had been done by the British Government in preparation for the gathering of the conference, the preparation of the so-called "Red Book," which contained the views of the various nations, the draft committee says:

The conference could not but express its gratitude for this valuable preparatory work, which was of great assistance to it. It made it possible to observe, in the first place, that the divergences in the practices and doctrines of the different countries were perhaps less wide than was generally believed, that the essential ideas were often the same in all countries, and that the methods of application alone varied with traditions or prejudices, with permanent or accidental interests. It was therefore possible to extract a common element which it could be agreed to recommend for uniform application.

A common element existed in the divergent rules and practices of the various nations, and the members of the conference believed that they had found universally recognized, or at least generally recognized, principles of international law. The declaration of London contains a preliminary provision, which is as follows:

The signatory powers are agreed that the rules contained in the following chapters correspond, in substance, with the generally recognized principles of international law.

Now, what is the force of this declaration of London? It was, of course, reported to the various nations by the representatives of those nations, carrying the force of this almost authoritative opinion, that its chapters correspond, in substance, with the generally recognized principles of international law. It went to the Senate of the United States, and the Senate, acting in accordance with its usual practice, advised the ratification of the treaty by the requisite two-thirds vote on April 24, 1912. That is, the Senate ratified the declaration of London just exactly as it ratifies any other treaty that ever goes into effect. Formally ratification is an executive act. The Senate has only power to advise and consent to the ratification. It did in this case what it does in all cases, and in common speech we speak of the Senate as having ratified treaties. As a matter of fact, no proclamation was ever issued by the executive power of the United States, and ratifications have not been deposited at The Hague as provided for in the treaty. Technically it has not been ratified.

Mr. GARNER. Will the gentleman yield just there?

Mr. TEMPLE. Very willingly.

Mr. GARNER. If the President negotiates a treaty and the Senate ratifies, and then the President never promulgates it, is it still a treaty?

Mr. TEMPLE. No. I say it is not ratified.

Mr. GARNER. So the President finally has an opportunity of withholding and nullifying a treaty after the Senate has ratified it?

Mr. TEMPLE. Ordinarily the President sends to the Senate only such treaties as he has already determined to ratify, if the Senate advises the ratification. In this case peculiar circumstances arose which I have already referred to. The English Government found that certain legislation was necessary to amend existing British law, to bring it into harmony with the new rules of the declaration of London. The bill so prepared by the Cabinet was passed by the House of Commons and failed to pass the House of Lords, so that the British Government was not ready to exchange ratification. We were ready. We were committed to it.

Mr. MADDEN. So that England is not committed to the London convention at all?

Mr. TEMPLE. Yes. England is committed to it very thoroughly, as I shall show later—not by an exchange of ratifications, however. Article 56 of the declaration of London is the article that is of importance in connection with the proposed legislation for the transfer of ships owned by subjects of belligerent powers to the flag of the United States. Article 56 is as follows:

The transfer of an enemy vessel to a neutral flag, effected after the outbreak of hostilities, is void, unless it is proved that such transfer was not made in order to evade consequences to which an enemy vessel as such is exposed.

Mr. MADDEN. So the burden of proof would be on the neutral nation?

Mr. TEMPLE. Yes; the burden of proof would be on the claimant, and not on the captor, in the prize court.

Now, the question arises as to whether this is in force. I was asked a moment ago whether England was committed to this treaty. I hold in my hand an order in council, dated at the court at Buckingham Palace, on the 29th day of October, 1914, the essential part of which is as follows:

Whereas by an order in council dated the 20th day of August, 1914, His Majesty was pleased to declare that during the present hostilities the convention known as the declaration of London should, subject to certain additions and modifications therein specified, be adopted and put in force by His Majesty's Government.

And then, after other preliminaries:

Now, therefore, His Majesty, by and with the advice of his privy council, is pleased to order, and it is hereby ordered, as follows:

1. During the present hostilities the provisions of the convention known as the declaration of London shall, subject to the exclusion of the lists of contraband and noncontraband, and to the modifications hereinafter set out, be adopted and put in force by His Majesty's Government.

I want to say that the exceptions and modifications have no bearing whatever on article 56, which touches the transfer of enemy vessels to a neutral flag. In the latter part of this order—and I shall not take the time to read all of it—is the following command:

The lords commissioners of His Majesty's treasury, the lords commissioners of the admiralty, and each of His Majesty's principal sec-

retaries of state, the president of the probate, divorce, and admiralty division of the high court of justice, all other judges of His Majesty's prize courts, and all governors, officers, and authorities whom it may concern, are to give the necessary directions herein as to them may respectively appertain.

There is no doubt, then, that that paragraph of the declaration of London which bears on the question of transferring ships from a belligerent flag to a neutral flag is the law of the British prize courts that will try the cases. Secretary Bryan, in his letter to Senator STONE, said, "The declaration of London is not in force." That paragraph of it is in force in British prize courts, and they are the only courts that will have jurisdiction over cases of vessels captured by British warships.

Mr. MADDEN. Now, is there any appeal from those courts?

Mr. TEMPLE. There is no appeal to an international prize court.

Mr. MADDEN. That is what I mean.

Mr. TEMPLE. Because the treaty, like the London declaration itself, failed of the final exchange of ratifications, so that we are thrown back to the original basis. Each nation provides its own rules of contraband and its own rules of prize cases, just as they did before the declaration of London was formulated at all. If they had the right to do that before, then they will certainly exercise that right now.

Mr. MADDEN. And from the rule promulgated there is no appeal?

Mr. TEMPLE. No appeal, except to British courts.

Mr. MADDEN. Except the appeal to arms?

Mr. TEMPLE. Oh, it would be taken up for settlement by diplomacy, and the dispute might be referred to the court of arbitration at The Hague. What I wish to say is that the declaration of London is undoubtedly British law, whether it is recognized by the United States or not.

Now let me call your attention to the case of the *Benito Estenger*, which is recorded in volume 176 of United States Reports. This was a Spanish vessel, transferred to the British flag in June, 1898, captured by the United States steamer *Hornet* and condemned by the United States Court for the Southern District of Florida, sitting as a prize court. The case was carried by appeal to the Supreme Court of the United States. Chief Justice Fuller wrote the opinion, in which, after saying that the *Benito Estenger* "had complied with all the requirements of the British law," and had been transferred to British registry, he nevertheless affirmed the decision of the lower court. The vessel was sold and the money disposed of according to the prize law of our Nation then in force.

Mr. Beatty, the British subject who owned the vessel, had appealed the case, had lost, and had no recourse. I refer to that case not because it is on all fours with the case of the *Dacia* or any other case that might hereafter arise, but to show just one thing, that when the *Benito Estenger* complied with all of the requirements of British law that was not enough. We tried the case in accordance with our law. And when vessels transferred to the American flag comply with all the requirements of American law the British courts will try them in accordance with British law, and if we object they will cite the case of the *Benito Estenger* and many other cases. What we could do to them and that which we did to them without protest from them they will certainly claim the right of doing to us.

The declaration of London has been put in force not only by England but also by France, Russia, and Italy. Furthermore, Italy put it in force in the late war between Italy and Turkey, and article 47 of the declaration was tested in a peculiarly searching way.

I read from Oppenheim's International Law, volume 2, page 530:

According to the British and American practice, as well as that of some other States, which has hitherto prevailed, whenever a neutral vessel was stopped for carrying persons or dispatches for the enemy these could not be seized unless the vessel was seized at the same time. The release in 1861, during the American Civil War, of Messrs. Mason and Sildell, who had been forcibly taken off the *Trent*, while the ship herself was allowed to continue her voyage, was based by the United States on the fact that the seizure of these men without the seizure of the vessel was illegal. Since, according to the declaration of London, a neutral vessel rendering unneutral service of any kind is liable to be confiscated, it is evident that in such a case the enemy persons and dispatches concerned may not be taken off the vessel unless the vessel herself is seized and brought into a port of a prize court. However, article 47 provides that any member of the armed forces of the enemy found on board a neutral merchant vessel may be taken off and made a prisoner of war, although there may be no ground for the capture of the vessel.

And in a note on page 531, as follows:

Accordingly, in January, 1912, during the Turco-Italian War, the Italian gunboat *Vulturno*, after having overhauled in the Red Sea the British steamer *Africa* going from Hodeida to Aden, took off and made prisoners of war Col. Riza Bey and 11 other Turkish officers. Although the declaration of London is not yet ratified by Great Britain, she did not protest.

She submitted to it without a protest, though she had not ratified the declaration.

Now, I want to say again, as I said on August 29, 1914, that it is the practice of nations that determines what international law is, and no legislative authority. I said then:

Italy in her recent war with Turkey put that declaration of London into operation in spite of the fact that it is not international law. France and Great Britain have both announced their intention to put it into operation, in spite of the fact that ratifications have not been exchanged. That which is the practice of the nations becomes international law. There is no other test of international law than the practice of the nations. International law is not enacted. When we want to know what it is we study the practice of the nations, and when a maritime power like Great Britain and another like France and another like Italy put this into practice, and we ourselves have committed this Nation to it by signing it, by ratifying it in the Senate, as we have done, we, too, are committed to it. The only reason that it is not the law of the United States is because ratifications have not yet been exchanged. The Senate has acted on it finally. This is as nearly international law as anything can be that is not sanctioned and made certain by long practice.

I have just one other point that I wish to make, and I think it is a very important one. Suppose a dispute should arise between this country and Great Britain in regard to the seizure of some vessel transferred to the American flag from a belligerent flag, and we should succeed in taking it to the international tribunal at The Hague—the permanent court of arbitration at The Hague. What would be the decision of that court? In answer to that I refer you to the case of the French mail steamer *Manouba*.

In the note (Oppenheim, vol. 2, p. 531) is the following statement:

The case of the *Manouba* ought likewise to be mentioned here. This French steamer, which plies between Marseille and Tunis, was stopped on January 16, 1912, by an Italian cruiser in the Mediterranean and 29 Turkish passengers, who were supposed to be Turkish officers on their way to the theater of war, were forcibly taken off and made prisoners. On the protest of France the captives were handed over to her in order to ascertain whether they were members of the Turkish forces, and it was agreed between the parties that the case should be settled by an arbitral award of the permanent court of arbitration at The Hague, Italy asserting that she had only acted in accordance with article 47 of the declaration of London.

Neither Italy nor France had ratified the London declaration. Neither of them had at that time issued any proclamation putting it into effect.

The two nations agreed to leave that case to the international tribunal at The Hague. I have in my hand here the award of the international tribunal at The Hague in this case, rendered May 6, 1913. Anybody who wishes to refer to this will find it in the American Journal of International Law for July, 1913, beginning on page 629. Without reading it at length, I read these sentences:

Considering that the Italian naval authorities had, at the time of the capture of the *Manouba*, sufficient reason to believe that the Ottoman passengers who were on board were, some of them at least, soldiers enlisted in the enemy's army;

That, consequently, these authorities had the right to compel the surrender of these passengers to them—

After an omission—

For these reasons the arbitral tribunal declares and pronounces as follows—

And the fourth paragraph of its pronouncement is this:

When once the *Manouba* was captured and taken to Cagliari, the Italian naval authorities were, in general and according to the special circumstances under which the act was committed, within their rights in proceeding, as they did, to the arrest of the 29 Ottoman passengers who were on board.

There was a case of a dispute between a neutral that had not ratified the declaration of London and a belligerent that was carrying it into effect, which dispute was carried to the International Tribunal of Arbitration at The Hague, and the international tribunal sustained the belligerent that was enforcing the declaration of London. We should avoid any controversy of that kind with any power. [Applause.]

Mr. THOMSON of Illinois. In that case neither the belligerent nor the neutral had ratified the declaration of London?

Mr. TEMPLE. Neither the belligerent nor the neutral had ratified it, just as neither Great Britain nor the United States has ratified it; but the belligerent was putting it in force, just as Great Britain is now putting it in force.

Mr. BOOHER. Will the gentleman yield for a question?

Mr. TEMPLE. Certainly.

Mr. BOOHER. The two nations got that case before The Hague tribunal by agreement, did they not?

Mr. TEMPLE. That was the only way they could get it there.

Mr. BOOHER. If the United States and England should have trouble, unless they agreed to submit it to The Hague tribunal, it could not go there at all.

Mr. TEMPLE. We would either agree to arbitrate or probably fight it out.

Mr. BOOHER. It could not go to The Hague tribunal without an agreement of the parties?

Mr. TEMPLE. Never. There is nothing compulsory about it. There is no compulsory arbitration.

Mr. BOOHER. If the convention had been ratified, as it has been ratified by the United States and Great Britain, it would go to The Hague tribunal without agreement, would it not?

Mr. TEMPLE. Not if we chose to violate our treaty, which provides for arbitration.

Mr. BOOHER. Does it not provide that such a case shall go there?

Mr. TEMPLE. This London declaration makes no provision of that kind.

Mr. BOOHER. It would go to The Hague without any further agreement, would it not?

Mr. TEMPLE. Irrespective of the London declaration, we have now a general treaty of arbitration. Now, if we choose to disregard that treaty, there is no power that can send us to The Hague. I do not think we would choose to disregard it.

Mr. BOOHER. Then the London declaration does not make any difference about the right of either or both nations to go to The Hague, does it?

Mr. TEMPLE. Not at all. The London declaration does not affect the question of arbitration. The question is whether it is the law that the court will enforce after arbitration has been agreed to. We have general treaties of arbitration. Our question is, What law would The Hague tribunal enforce if we kept our treaty and went there with an arbitral dispute?

Mr. BOOHER. The tribunal would not enforce a law that this Government has never ratified, would it?

Mr. TEMPLE. That is the point I am making. The tribunal did enforce it in a dispute between France and Italy.

Mr. BOOHER. But they both agreed to go there on that issue, did they not?

Mr. TEMPLE. They agreed to go there on that issue; but, as I understand it, they did not agree as to what the law was before they went there. If they had agreed as to the law under which it was to be determined, the dispute could have been settled without any arbitration.

Mr. BOOHER. But suppose, now, that one nation or the other had not agreed to go there and submit to the London declaration, would The Hague tribunal have enforced the London declaration?

Mr. TEMPLE. Italy claimed that she was acting under the London declaration, and, as I understand the contention, France claimed that she had no right to act under the London declaration, and they submitted that dispute to the arbitral tribunal at The Hague.

Mr. BOOHER. I am very much interested in the gentleman's argument, and I want to get a little light. Suppose France had refused to submit that question to The Hague convention; could The Hague convention have decided it?

Mr. TEMPLE. Not at all. Italy and France would have had war.

Mr. BOOHER. I am trying to get your idea whether the nations that have not signed that convention would have to agree to submit to The Hague convention the question whether or not the London declaration was binding.

Mr. TEMPLE. I think I catch the gentleman's point. Once in a while an agreement is made in the treaty itself as to the principles that are to determine a dispute, and those principles are set forth at length. Such was the case in the *Alabama* dispute between the United States and Great Britain after the Civil War. In the treaty of Washington of 1871 three principles were set forth which we claimed were international law and Great Britain claimed were not international law; and in order to settle the dispute Great Britain agreed that the court of arbitration should act as if these principles were international law. That is possible.

Mr. BOOHER. My point is that if Great Britain had not agreed to that they could not have settled that proposition and bound Great Britain.

Mr. TEMPLE. They would have been likely to have had war. Mr. BOOHER. The gentleman does not quite answer my question; they could not have bound Great Britain.

Mr. TEMPLE. There is no international sheriff to drag the parties into court.

Mr. BOOHER. It would not be necessary; my question does not ask whether its judgment could be enforced, but could The Hague tribunal have decided it?

Mr. TEMPLE. When a question of what is the law is left to a tribunal, that tribunal decides what is the law.

Mr. THOMSON of Illinois. Will the gentleman yield?

Mr. TEMPLE. I will.

Mr. THOMSON of Illinois. In view of the case the gentleman has referred to, and the decision by the international

court, is it not true that if such legislation as is involved in the pending ship bill should be enacted and such a situation should arise as to the facts in that case disclosed, it would mean that the United States would be obliged to choose between the submission of the issues of that case to the tribunal at The Hague, which would doubtless decide as it did in the case the gentleman mentions, or go to war?

Mr. TEMPLE. There might be a third alternative; it might be settled by diplomacy. Many cases are settled by diplomacy.

Mr. THOMSON of Illinois. By our Government giving up?

Mr. TEMPLE. By somebody's yielding something.

Mr. PLATT. Might not the ship be taken into a French port and we have to submit to the old French law, which is much more severe than the declaration of London?

Mr. TEMPLE. Yes; the old French law is much more severe than the declaration of London. Under the old French law the transfer of a vessel from a belligerent flag to a neutral is forbidden, unless the claimant can show that when he bought the vessel he did not know there was a war going on, which would be difficult under the present conditions. Most people know that there is a war going on. The French law would be much more severe than the declaration of London, and I am inclined to think that the international court of arbitration will follow its own understanding.

Mr. LENROOT. The gentleman says "the French law"; is it not true that France is following the declaration of London?

Mr. TEMPLE. It is now; but if we convinced France that she ought not to put the declaration into effect, it would be her law, and not English law and not ours that would be our alternative.

Mr. MADDEN. They would try it under their own law and not under ours.

Mr. TEMPLE. Certainly.

Mr. GOODWIN of Arkansas. If the gentleman will yield, I have just come in, and therefore have not heard all that the gentleman has said. Does the gentleman have reference to the declaration of Paris?

Mr. TEMPLE. By no means. I am glad that the gentleman has mentioned the declaration of Paris, for I have some little time left and I want to show that unanimous consent is not necessary to the adoption of international law. The declaration of Paris in 1856 provided among other things that privateering is abolished. The other provisions of that declaration were: The neutral flag covers enemy's goods; neutral goods, contraband of war excepted, are not liable to capture under the enemy's flag; and that a blockade must be binding must be effective. But the first and most important thing is that privateering is abolished. The United States did not agree to that. It most decidedly dissented. President Pierce in his message of December 4, 1854, said that the bare statement of the condition in which the United States would be placed, after having surrendered the right to resort to privateers, in the event of a war with a belligerent of naval supremacy, will show that this Government could never listen to such a proposition.

So Secretary Marcy wrote, July 28, 1856, to Count Sartinges, French minister, replying to the invitation to adhere to the declaration of Paris:

The policy of the United States has ever been, and never more than now, adverse to such establishments, and they can never be brought to acquiesce in any change in international law which may render it necessary for them to maintain a powerful Navy or a large Regular Army in time of peace. If forced to vindicate their right by arms, they are content, in the present aspect of international relations, to rely, in military operations on land, mainly upon volunteer troops, and for the protection of commerce in no inconsiderable degree upon their mercantile marine.

I should like to read what Oppenheim says about the declaration of Paris. Speaking of the declaration of Paris, Oppenheim, volume 2, page 220, says:

Since, with the exception of a few States, such as the United States of America, Colombia, Venezuela, Bolivia, and Uruguay, all members of the family of nations, are now parties to the declaration of Paris, it may well be maintained that the rules quoted are general international law, the more so as the nonsignatory powers have hitherto in practice always acted in accordance with those rules.

We never agreed not to use privateers; but in the fierce struggle between the North and the South we did not use them, and we did not use them in the Spanish War. Why? We acquiesced in the declaration of Paris, although we never signed it. It is recognized as international law, our signature lacking nevertheless.

Also, let me mention one other thing which is of great general interest now, and which has become practically international law, to which the United States never agreed. Dumdum bullets were forbidden in the treaty adopted at The Hague conference, but some of the powers refused to sign the agreement not to use them.

As Great Britain had introduced bullets manufactured at the Indian arsenal at Dumdum, near Calcutta, the hard jacket of which did not quite cover the core, and which therefore easily expanded and flattened in the human body, the first Hague Peace Conference adopted a declaration, signed on July 29, 1899, by 15 powers, namely, Belgium, Denmark, Spain, Mexico, France, Greece, Montenegro, Holland, Persia, Roumania, Russia, Siam, Sweden and Norway, Turkey, and Bulgaria, stipulating that the contracting powers should abstain, in case of war between two or more of them, from the use of bullets which expand or flatten easily in the human body, such as bullets with hard envelopes which do not entirely cover the core or are pierced with incisions. Austria-Hungary, China, Germany, Italy, Nicaragua, Portugal, Japan, Luxemburg, Servia, Switzerland, and Great Britain acceded later.

The United States has never signed that treaty. Does anybody suppose that we would refuse to recognize that there is a general law, a general sentiment also, against the use of dumdum bullets? Unanimous consent is not required. The world almost, the great maritime powers certainly, have given adherence to the declaration of London. We have not. Whether it is law or not is one question. Whether we will be practically bound by the almost universal sentiment behind it is another question. It is dangerous to run into the face of the public opinion of the world on such points. [Applause.]

Mr. ROGERS. Mr. Chairman, will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. ROGERS. Is not the distinction in the cases the gentleman states rather that the nations which do not expressly ratify these agreements tacitly ratify them?

Mr. TEMPLE. I read from the President's message and from the correspondence of the Secretary of State who were in office in 1856 the emphatic refusal of the United States to recognize these things.

Mr. ROGERS. But there is a tacit agreement among the nations as to dumdum bullets, for example, I suppose, and the acquiescence is there, even though it has not taken the form of affirmative legislation or approval.

Mr. TEMPLE. Tacit acquiescence after a refusal to sign is what I am pointing out. I think there will be a tacit acquiescence in the declaration of London.

Mr. GOODWIN of Arkansas. We refused to accede to the declaration of Paris for the reason that we had no fleet of any moment but had a considerable fleet of merchantmen.

Mr. TEMPLE. We would not accede to it.

Mr. GOODWIN of Arkansas. I say we could not accede to it, and we have not in a formal way, but possibly tacitly will adhere to the declaration of London. How many nations were signatories to the declaration of London?

Mr. TEMPLE. The declaration of London was signed by 10 powers, and only 10 were represented at the conference.

Mr. GOODWIN of Arkansas. I was trying to reconcile our attitude with reference to a failure to accede to the declaration of Paris as well as the declaration of London.

Mr. TEMPLE. The point I was attempting to make was this, that a unanimous-consent agreement is not necessary to the actual existence of international law. We did not agree to the abolishing of privateering, yet it has been abolished. We did not agree not to use dumdum bullets, yet the world recognizes that there is a law against it. My hope is that this long advance in international maritime law, marked by the declaration of London, will not be hindered by the United States. It is a long step toward uniformity of practice and away from the old condition of things when every nation had its own law, and there was always friction. The United States is committed to it. It was signed by our delegates. Its ratification was advised by the requisite two-thirds vote of the Senate. We stood ready to exchange ratifications at the outbreak of this war. We advised it be made at least temporary law, and though Great Britain put it into effect, with certain modifications, we drew back entirely. And Mr. Bryan says it is not in force, when the King of England, in the order in council which I read to you, says it is in force in the only courts that will try prizes captured by vessels of the British Navy. We have no appeal from British courts, save an appeal that I am sure we would be horrified to make. We should rather avoid the entrance to a quarrel, especially when our cause at best would be doubtful and in opposition to the public sentiment of the nations and of our own people.

Mr. GILLETT. Mr. Chairman, I yield 20 minutes to the gentleman from Michigan [Mr. J. M. C. SMITH].

Mr. J. M. C. SMITH. Mr. Chairman and gentlemen of the House, by way of preface, I wish to say that when two or more nations go to war it does not necessitate that any neutral na-

tion shall quit or abandon its commerce. I wish to say, further, that we commit no unneutral act by permitting munitions of war to be shipped from any port of the United States or of its Territories. I wish to say, further, that after our experience in Mexico, I think we are as safe in the hands of this administration as we have been in any recent administration, as far as war is concerned. Besides, the administration is equipped and surrounded by high legal talent and experienced Army officers and high Naval admirals. The definition of every dictionary includes foodstuffs in the word "munitions."

Mr. Chairman, I ask the indulgence of the House to speak for a few minutes on the subject of neutrality. I am in receipt of many letters and petitions requesting me to support and vote for House joint resolution 377, and am now in possession of a large petition, signed generally by the merchants and leading business men of my home town, favoring such resolution.

This resolution is to prohibit the export of arms, ammunition, and munitions of war. The petitions and letters ask me to work actively and vote for it so as to enact it into law during this session of Congress. They are all of similar purport, and many are of similar wording. No doubt other Members are daily in receipt of like requests.

I have filed the petitions here in the House and had them referred to the Committee on Foreign Affairs, before which the resolution is now pending.

I herewith wish to testify to the intelligence and high character of the signers and their lofty citizenship as being unexcelled. Many are among my warmest personal friends and neighbors, and all are in every way entitled to my highest consideration.

The resolution is as follows:

House joint resolution 377.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized, in his discretion, to prohibit the export of arms, ammunition, and munitions of war of every kind (whether whole or in parts to be later assembled) from the territory or any seaport of the United States until otherwise ordered by the President or by Congress.

This resolution covers nearly everything that can be used to aid or further the prosecution of a war. Munitions of war include foodstuffs, clothing, automobiles of all sorts, horses, mules, wagons, sleighs, harness, saddlery, cotton, wool, and products of field and factory, when suitable and intended for army purposes, as well as armament, shot, and shell.

Our Nation is not in the shipping business, and does not sell, ship, or transport munitions of war directly to any other nation either at peace or at war, and so we are dealing with individual rights. The sale and shipment of these products are by individuals, and when publication is made that 1,000,000 bushels of wheat, 2,000,000 pairs of shoes, \$10,000,000 worth of harness and saddlery, 40,000 Ford automobiles, 200 Duplex war trucks, or 50,000 bales of cotton are sold for shipment to England, Germany, France, Belgium, Russia, or any other country, it means simply that such an order for these goods has been taken by some American manufacturer or purchaser for delivery at the factory or maybe to an American port, and then it is up to the purchaser to make his shipment and take the risk of delivery on his own account at the foreign port.

MUNITIONS OF WAR.

By the law of nations a neutral nation has the right to carry on its commerce in all trades without liability of forfeiture in goods and products not declared to be contraband, and by common consent noncontraband is permitted to be shipped unrestricted in a neutral vessel, while in the shipment of wheat, horses, automobiles, firearms, and so forth, the owner takes the risk of capture and loss of property.

We find the balance of trade in our favor has increased from \$16,000,000 for the month of September to nearly \$132,000,000 for the month of December, 1914, and quite all of the products of this trade can be used in and for carrying on war.

It is as necessary to have food products and clothing, shoes, blankets, and vehicles to prosecute and carry on a war as it is to have armament, rifles, and shells, so that if the export of the munitions of war of every kind are to be prohibited, such prohibition will be very far-reaching, and not only will our exports be quite extinguished but our manufacturing greatly affected, the sale of farm products reduced, and our foreign trade virtually come to a standstill.

Mr. YOUNG of North Dakota. Will the gentleman yield?

Mr. J. M. C. SMITH. I will.

Mr. YOUNG of North Dakota. If the gentleman's resolution were changed or modified in such a way as to cover only the exportation of guns, bullets, munitions of war, would the gentleman support it under those conditions?

Mr. J. M. C. SMITH. Well, I will get to that a little later on; but that is not the resolution I was asked to work for and have passed this session. I am talking about the resolution which these papers and my people have asked me to support and work for and endeavor to have passed. I would say to the gentleman I would hesitate before I would vote against a resolution to prohibit the export of powder and bullets to kill people with, but I would not want to say I would vote for a resolution prohibiting export of munitions of war broadly.

Mr. YOUNG of North Dakota. Has the gentleman considered the question of the morality of the proceeding?

Mr. J. M. C. SMITH. That is different.

Mr. YOUNG of North Dakota. I understand now the gentleman is discussing the legal proposition.

Mr. J. M. C. SMITH. I have thought of that, but I am not basing this argument upon sympathy or upon the question of preference. I am basing it upon the law; and if we are going outside of this, as a moral question, why, of course, that might lead to my telling what particular faith I believe in. But that is not the question which we are dealing with. This is an international question. Now, if the gentleman will allow me to proceed.

The resolution makes no exception and seeks to prohibit our shipments to Italy, Holland, Spain, South America, China, and to all neutral countries.

The resolution further provides that it shall be discretionary with the President whether or not and when to prohibit such shipments. If it is wrong or unlawful to permit shipments of contraband or munitions of war, there should be no discretion about it. It ought not to be done.

But, Mr. Chairman, by the law of the very nations now at war, and by settled custom, this right is firmly and legally established.

I doubt not that the President has the right now to place an embargo upon the shipment of war material out of the United States. The President placed an embargo not long ago upon the shipment of arms into Mexico from the United States, although he subsequently permitted it.

Not long since a German vessel loaded with rifles and ammunition sailed for Vera Cruz, a Mexican seaport, and the President promptly sent our Army and fleet to that port, captured the city in battle, and prevented the unloading of the ship's cargo there; but the unloading took place at an adjacent port near Tampico. If the President had the authority then to say when firearms and ammunition might be transported into Mexico from the United States, or should not be shipped into Mexico, from Germany or any foreign nation, why has he not the discretion now?

But, Mr. Chairman, I do not want to say that we sent our Army and fleet to Mexico for the sole purpose of preventing that German ship from unloading 500,000 firearms and millions of rounds of ammunition, or whatever the number may have been, because I have such faith in the effectiveness of our Army and Navy, even if there is only 1 of the 59 submarines belonging to our Navy fit for service, and even if many of our battleships or dreadnaughts are not fit for first-line duty, and even if the size of our standing Army only equals the population of Grand Rapids, Mich., and a part of that Army is now in foreign lands, as to believe that we could have prevented that German ship from unloading the arms and ammunition if that had been the sole purpose, although I might be in a little doubt about our now being prepared to lick the whole world, as one might think we are from some of the hurrahs heard nowadays here on the floor of this Chamber.

We took Vera Cruz all right one day, with the loss of 17 of our brave boys and 70 wounded of the flower of our country. We held it a sufficient time, and then went away. When we left a considerable treasure followed us—only a million or so, but a considerable amount of money, we are credibly informed.

A majority of the Members are learned in the law and know that we ought not to break into a man's house or into his country or into his city and take away the property of another. When I was a child I was taught the Ten Commandments. Later I attended church on Sunday and enjoyed the sermons then as I do now. I remember some of the commandments yet—one about taking that which did not belong to me, and the one about killing. I wish that the rulers, crowned heads, and other potentates of Europe would keep all the commandments. I always enjoyed the sermon when the preacher would tell about the coming of the Prince of Peace, of Emmanuel, and also about beating the swords into plowshares and the spears into pruning hooks. God speed the day! But until that time we must as a nation work out our own destiny. I am for peace. I want to be one of the last to favor war. It seems we ought to get along

without war in this enlightened age and generation. But, my friends, the Golden Age has not yet come—

When the war drum throbs no longer, and the battle flag is furled
In the parliament of man, the federation of the world;
There the common sense of most shall hold a fretful realm in awe,
And the kindly earth shall slumber, wrapped in universal law.

To-day a majority of the most civilized nations of the earth are in brutal and unnecessary war. By this war not only the boundary of nations will be changed, but the struggle involves their very existence. The times call for clear-headed, patriotic statesmanship as much as they ever did in the history of our Republic. What is our duty? We as a nation have our rights. Those rights are of greater importance to us than the rights of any foreign nation. Among our rights are the rights of life, liberty, and the pursuit of happiness. We do not want them invaded. We must know the right, and "knowing it, dare maintain."

NEUTRALITY.

President Pierce in his third annual message to the Thirty-fourth Congress in 1855 defined our rights as a neutral nation to carry on our commerce when he said:

The laws of the United States do not forbid their citizens to sell to other of the belligerent powers articles of contraband of war or to take munitions of war or soldiery on board their private ships for transportation, and although in doing so the individual exposes his person or property to some of the hazards of war, his acts do not involve a breach of the national neutrality nor of themselves implicate the Government.

This was six years before the Civil War, and that principle of international practice was incorporated in article 7 of the Hague convention, October 18, 1907, which provides:

A neutral power is not called upon to prevent the export or transport on behalf of one or other of the belligerents of arms, munitions of war, or, in general, of anything which can be of use to an army or a fleet.

This convention was attended by the representation of the German Empire and signed by its delegates.

As a Nation we are friends of both sides of the contending nations of Europe. We are nowise responsible for the war. By electing to go to war these nations have fixed their status as that of belligerents, and their rights are determined by the rights of warfare. If this gives an advantage to either side, we are not responsible for it, and as a neutral Nation we can not change it.

By remaining neutral our status is fixed by the laws and customs of war and international agreements. Chief among the rights of the citizens of a neutral nation is the right to carry on commerce in all its branches, subject to the chances of seizure and forfeiture in case the merchandise is contraband, but with the utmost freedom in case the products are noncontraband. As neutrals we must treat all the belligerents alike, allowing to each side the same privileges, and not give a right to one side which we do not accord to the other. If to prohibit shipments would deny one side an advantage which rightfully belongs to it, or give to the other side rights to which it is not entitled as a belligerent, we should be very circumspect before enacting such a law and be careful that we do not commit a nonneutral act.

During the Franco-German War there was correspondence between the Prussian diplomatic representation in London and at Washington and the British and United States foreign secretaries concerning shipment of arms and ammunition to French armies, in which the Prussian Government contended that it was incompatible with strict neutrality that French agents should be permitted to buy up in the neutral country, under the eyes and cognizance of the neutral Government, many thousand breechloaders, revolvers, and pistols, with the requisite ammunition, in order to arm therewith the French people and make the formative of fresh army corps possible after the regular armies of France had been defeated.

Nothing, however, was done to prevent the shipment of these supplies, and the United States claimed entire liberty for the traffic in question.

OUR STATUS DEFINED.

Very recently, on January 8, 1915, Mr. Bryan, as Secretary of State, in a communication (S. Doc. No. 716) covering this subject to Senator STONE, defined, among other things, our rights and status as a neutral Nation, and I call your attention to two paragraphs of that letter. Answering the statement that the United States has not interfered with the sale to Great Britain and her allies of arms, ammunition, horses, uniforms, and other munitions of war, although such sales prolong the conflict, the Secretary says:

There is no power in the Executive to prevent the sale of ammunition to the belligerents.

The duty of a neutral to restrict trade in munitions of war has never been imposed by international law or by municipal statute. It has never been the policy of this Government to prevent the shipment of arms or ammunition into belligerent territory, except in the case of neighboring American Republics, and then only when civil strife prevailed. Even to this extent the belligerents in the present conflict,

when they were neutrals, have never, so far as the records disclose, limited the sale of munitions of war. It is only necessary to point to the enormous quantities of arms and ammunition furnished by manufacturers in Germany to the belligerents in the Russo-Japanese war and in the recent Balkan wars to establish the general recognition of the propriety of the trade by a neutral nation.

It may be added that on the 15th of December last the German ambassador, by direction of his Government, presented a copy of a memorandum of the Imperial German Government which, among other things, set forth the attitude of that Government toward traffic in contraband of war by citizens of neutral countries. The Imperial Government stated that "under the general principles of international law, no exception can be taken to neutral States letting war material go to Germany's enemies from or through neutral territory," and that the adversaries of Germany in the present war are, in the opinion of the Imperial Government, authorized to "draw on the United States contraband of war and especially arms worth billions of marks." These principles, as the ambassador stated, have been accepted by the United States Government in the statement issued by the Department of State on October 15 last, entitled "Neutrality and trade in contraband." Acting in conformity with the propositions there set forth, the United States has itself taken no part in contraband traffic, and has, so far as possible, lent its influence toward equal treatment for all belligerents in the matter of purchasing arms and ammunition of private persons in the United States.

Answering the statement of general unfriendly attitude of the Government toward Germany and Austria, the Secretary says:

If any American citizens, partisans of Germany and Austria-Hungary, feel that this administration is acting in a way injurious to the cause of those countries, this feeling results from the fact that on the high seas the German and Austro-Hungarian naval power is thus far inferior to the British. It is the business of a belligerent operating on the high seas, not the duty of a neutral, to prevent contraband from reaching an enemy. Those in this country who sympathize with Germany and Austria-Hungary appear to assume that some obligation rests upon this Government in the performance of its neutral duty to prevent all trade in contraband, and thus to equalize the difference due to the relative naval strength of the belligerents. No such obligation exists; it would be an unneutral act, an act of partiality on the part of this Government to adopt such a policy if the Executive had the power to do so. If Germany and Austria-Hungary can not import contraband from this country, it is not, because of that fact, the duty of the United States to close its markets to the allies. The markets of this country are open upon equal terms to all the world, to every nation, belligerent or neutral.

The foregoing categorical replies to specific complaints is sufficient answer to the charge of unfriendliness to Germany and Austria-Hungary.

I am, my dear Senator,
Very sincerely, yours,

W. J. BRYAN.

HON. WILLIAM J. STONE,
Chairman Committee on Foreign Relations,
United States Senate, Washington, D. C.

WAR.

I am for peace all the time, and would only consent to declare war when justice demands it and the right is absolutely unquestioned. I am not for peace at any price, else there would have been no War of Independence, and we would be a dependency of England and not enjoying our independence to-day; else there would not have been the War of the Rebellion, and we would be two nations on this continent to-day instead of one.

When the right to arbitrate all questions of national dispute comes up, and the Monroe doctrine is submitted, it may surrender Mexico to colonization by other nations. If the Chinese or Japanese question comes up for arbitration at The Hague, the sun will not shed such radiant hues on the Golden Gate, and much of the attraction will have flown from the splendid domain of our beautiful Pacific coast.

Neither would I for one want to submit the right of a foreign nation to have a coaling station in Mexico or Cuba or in the Central American States.

I am not in favor of submitting all questions to arbitration as a national policy. Neither do I think that preparedness leads to war. We were not prepared in 1860 for the war so nobly fought and won by the boys in blue, but it came.

We were prepared for war when we told Maximilian to get his French Army and himself out of Mexico immediately after that war, and no war came.

ARMY AND NAVY.

Our national wealth is \$150,000,000,000, double that of any other. Our Navy ranks third, and 14 nations of the world have a larger standing army than we have.

The following table showing the peace strength of nations having a larger standing army than the United States is found in the World Almanac, 1915, page 420:

Germany	870,000
France	783,493
Russia	1,500,000
Austria-Hungary	435,127
Italy	306,000
Great Britain	262,296
Japan	217,032
Spain	140,673
Roumania	103,460
Switzerland	143,220
Turkey	230,000
Greece	29,000
China	180,000

I voted for the Army appropriation bill; a standing Army of 100,000 men; for an appropriation for the upkeep of our Navy, providing for 2 battleships, 11 submarine torpedo boats (1 of the seagoing type), 5 torpedo-boat destroyers, 1 fuel-oil ship.

The total cost of this program is about \$50,000,000, and the sum of \$22,903,998 is recommended for construction the first year, and if we had kept the duty on sugar it would have paid the whole cost of their construction.

Much is said about the citizen soldier, but how many citizens nowadays are acquainted with firearms? Many of them never shot a gun, and fewer of them ever saw a modern weapon. In the days of the rebellion nearly every man was a marksman, and the first call recruited the squirrel regiments; but it is different now. In some of the States we have stringent game laws and less game, and the use or need of the gun does not obtain.

It would cost the Government little or nothing to make it mandatory for all citizens within military age to meet at least once a month at the country townhouse or city hall during the wintertime, if no oftener, and be shown a regulation Army rifle or be given an evening's instruction or lecture by a military officer or soldier, and be told with which foot to step off and upon which heel to about face. By so doing the citizen soldier would at least know something of what would be expected of him should he ever be called to arms.

DISARMAMENT.

Mr. Chairman, I hope the time will come when it will not be necessary to ever call our young men to arms, but now is not the time to disarm. World conditions are against that step at present. I wish that we might not furnish guns and bullets to kill people with. But whatever we may do in this regard the war will continue to the end. We must keep an even poise; we must keep strictly within our rights; we must maintain strict neutrality. We are not legally or equitably bound to close our factories or give up all our commerce. The belligerent nations alone must decide when to shut up their own great arsenals and factories and when to quit making guns and powder. I wish they would quit to-day. It was not contemplated by any nation that in case of war we should close our factories or not sell our farm products to any warring nation. That has never been the law, and we should exercise great care in adopting such a law. I would have some hesitancy in

voting against a law placing an embargo upon powder and bullets should the President make the order, but would not want to support a law which would prohibit the shipment and exportation of all articles that could be used by an army to prosecute or carry on war, and am very much in favor of sending foodstuffs and raiment, medicine, and aid to the helpless and famine stricken in Europe. [Applause.]

The CHAIRMAN. The gentleman from Massachusetts has five minutes remaining.

Mr. GILLET. Will the gentleman from New York yield me 10 minutes?

Mr. FITZGERALD. I yield the gentleman 10 minutes.

Mr. GILLET. I yield to the gentleman from California [Mr. J. R. KNOWLAND] such time as he desires.

Mr. J. R. KNOWLAND. Mr. Chairman, I ask leave to extend my remarks by inserting in the RECORD an article appearing in the February North American Review entitled "The bases of Republican confidence." The article was written by Col. George Harvey, editor of the magazine, and the man claiming to have originally discovered President Woodrow Wilson. While the public was aware that there have been some little differences between the discovered and the discoverer since the original discovery, there were recent indications that a happy reconciliation had taken place, but evidently the truce was but temporary. The article is somewhat illuminating and is presented in full:

THE BASES OF REPUBLICAN CONFIDENCE.

[By the editor.]

In idle wishes fools supinely stay;
Be there a will, and wisdom finds a way.

—The Birth of Flattery.

We may as well admit at the outset that the quite universal and plainly increasing confidence of Republicans with respect to the next national election is no mere "triumph of hope over experience"; it is a firm conviction. Neither leaders nor rank and file have the slightest doubt of coming success. Nor, incidentally, we are informed, if a liberal Republican be nominated, has Mr. Roosevelt—a fact of deep significance. What, then, are the bases of this quite unprecedented feeling of certainty which finds manifestation a full 20 months before the event? Let us engage in common counsel forthwith.

The Republican chairman insists that the results now compiled prove conclusively that, if the recent November election had been for President, his party would have won not less than 288 electoral votes—a majority of 45. President Wilson, on the other hand, in his speech in Indianapolis, interpreted the figures as showing a Democratic majority of "about 80." Both seem to have erred. Putting aside all guesses and deductions, the votes actually polled for Senators and Congressmen are recorded as follows:

Votes polled at elections of 1912 and 1914.

STATES CARRIED BY REPUBLICANS ON NATIONAL ISSUES.

[S, popular vote for Senator; C, popular vote for Congressman.]

States.	1914					1912		
	Electoral vote.	Vote.	Republican.	Democrat.	Progressive.	Taft.	Wilson.	Roosevelt.
Connecticut.....	7	S.	89,993	76,081	6,853	68,324	74,561	34,129
Delaware.....	3	S.	22,922	20,681	1,653	15,998	22,631	8,889
Idaho.....	4	S.	47,486	41,206	10,321	32,810	33,921	25,527
Illinois.....	29	S.	390,661	371,403	203,027	253,613	405,048	386,478
Iowa.....	13	S.	205,832	167,251	15,058	119,805	185,325	161,619
Kansas.....	10	S.	180,323	176,929	115,755	74,844	143,070	120,123
Massachusetts.....	13	C.	222,840	189,197	30,118	155,943	175,408	142,223
Michigan.....	15	C.	218,445	147,262	47,700	152,244	150,751	214,581
Minnesota.....	12	C.	180,482	87,305	24,737	64,334	106,426	125,856
New Hampshire.....	4	S.	42,111	36,382	1,938	32,927	34,724	17,794
New Jersey.....	14	C.	179,930	167,511	15,400	88,835	178,280	145,410
New Mexico.....	3	C.	23,812	19,805	1,695	17,733	20,437	8,347
New York.....	45	S.	639,112	571,419	61,977	455,428	655,475	390,021
North Dakota.....	5	S.	48,732	29,640	2,707	23,090	29,555	25,726
Ohio.....	24	S.	526,115	423,742	67,500	277,066	423,152	229,327
Pennsylvania.....	38	S.	519,830	266,436	269,175	273,305	395,619	447,426
Rhode Island.....	5	C.	38,801	35,180	1,321	27,703	30,142	16,878
Utah.....	4	S.	56,281	53,128	.....	42,100	36,579	24,174
Vermont.....	4	C.	36,980	13,685	9,545	23,395	15,350	22,070
Washington.....	7	S.	130,479	91,733	83,282	70,445	86,840	113,098
West Virginia.....	8	C.	111,387	102,223	8,605	56,754	113,197	79,112
Wyoming.....	3	C.	21,363	17,246	1,308	14,560	15,310	9,232
Total.....	275	.....	3,933,907	3,107,511	980,684	2,341,171	3,330,410	2,748,845

STATES CARRIED BY DEMOCRATS ON NATIONAL ISSUES.

Alabama.....	12	S.	12,320	63,389	4,263	9,731	82,439	22,689
Arizona.....	3	S.	9,183	25,800	2,608	3,021	10,324	6,949
California.....	13	S.	254,159	279,806	255,232	3,914	283,436	283,610
Colorado.....	6	S.	98,728	102,037	27,072	58,386	114,223	72,306
Indiana.....	15	S.	226,505	271,845	107,027	151,267	281,890	162,007
Kentucky.....	13	S.	144,768	176,605	14,108	115,512	219,584	102,766
Maine.....	6	C.	60,318	60,683	17,958	26,545	51,113	48,493
Maryland.....	8	S.	94,864	110,204	3,697	54,956	112,674	57,795
Missouri.....	18	S.	267,056	311,573	27,614	207,821	330,746	124,371
Montana.....	4	C.	26,161	37,012	6,694	18,512	27,941	22,456
Nebraska.....	8	C.	110,839	112,309	3,141	54,216	109,008	72,639
North Carolina.....	12	S.	87,095	121,241	.....	29,139	144,507	69,130
Arkansas.....	9	S.	11,222	33,449	.....	24,297	68,838	21,673

Votes polled at elections of 1912 and 1914—Continued.
STATES CARRIED BY DEMOCRATS ON NATIONAL ISSUES—Continued.

States.	Electoral vote.	Vote.	1914			1912		
			Republi- can.	Democrat.	Progressive.	Taft.	Wilson.	Roosevelt.
Florida.....	6	S.	.....	22,761	.....	4,279	36,417	4,535
Georgia.....	14	S.	.....	205,652	.....	5,190	93,171	22,010
Louisiana.....	10	C.	.....	40,545	8,867	3,834	60,966	9,323
Mississippi.....	10	C.	.....	36,060	.....	1,511	57,164	3,627
South Carolina.....	9	S.	.....	32,950	.....	536	48,355	1,293
Tennessee.....	12	C.	44,951	149,193	.....	59,444	130,335	53,725
Texas.....	20	C.	.....	173,177	.....	28,853	221,589	26,755
Virginia.....	12	C.	23,654	58,320	210	23,288	90,332	21,777
Wisconsin.....	13	S.	134,221	135,321	.....	130,878	164,409	58,661
Nevada.....	3	S.	8,038	8,078	.....	3,196	7,986	5,620
Oklahoma.....	10	S.	73,153	119,214	3,962	90,786	119,156	.....
Oregon.....	5	S.	88,297	111,748	26,220	34,673	47,064	37,000
South Dakota.....	5	S.	44,244	48,076	2,406	.....	48,942	58,811
Total.....	256	.....	1,809,786	2,847,138	511,079	1,143,785	2,982,609	1,370,662
Grand total.....	531	.....	5,743,673	5,954,649	1,401,763	3,484,956	6,293,019	4,119,507

Republican majority of electoral vote, 19; Democratic plurality of popular vote, 210,976.

Chairman Hilles attains his result by transferring Wisconsin's 13 votes from the Democrats to the Republicans upon the ground that, although a Democratic Senator was elected by a few hundred as a consequence of "local conditions," the total Republican majority for Congressmen exceeded 40,000.

President Wilson reached his conclusion by "taking the States where Senators were elected and, where Senators were not elected, taking the election of governors, and, where governors were not elected, taking the returns for the State legislatures or for the congressional delegates." Ignoring the vote for State legislators, which seems rather far-fetched, and substituting the vote for governor wherever one was chosen for the vote for Senator or Congressman given in the above tabulation, we find that—

States.	Democrats.		Republicans.	
	Gain.	Lose.	Gain.	Lose.
Idaho.....	4	.....	.....	4
Massachusetts.....	18	.....	.....	18
Michigan.....	15	.....	.....	15
Minnesota.....	12	.....	.....	12
West Virginia.....	8	.....	.....	8
Wyoming.....	3	.....	.....	3
California.....	.....	13	.....	.....
Colorado.....	.....	6	.....	6
Oregon.....	.....	5	.....	5
South Dakota.....	.....	5	.....	5
Wisconsin.....	.....	13	.....	13
Total.....	60	42	29	60

Net Democratic gain, 18; net Republican loss, 31. Progressive gain (California), 13.

ELECTORAL VOTE UPON THIS BASIS.

Democrats, 274; Republicans, 244; Progressives, 13—531. Democratic plurality, 30; Democratic majority, 17.

Assuming, as we fear we must, that the vote on national issues affords the better criterion, the question immediately arises, Can the Republicans reasonably expect to hold the 22 States, carrying 275 electoral votes, which they won in November? That the shrewdest of them honestly think so there can be no doubt. Indeed, they feel equally certain that they can abstract from the Democratic column Colorado (6), Maine (6), Oregon (5), South Dakota (5), and Wisconsin (13), making a grand total of 310 and affording a clear majority of nearly 100 electoral votes. Clearly, however, this calculation would be upset if President Wilson should succeed in winning over the remaining Progressives who still hold the balance of power in Illinois, California, Pennsylvania, Idaho, and Washington. For ourselves, we have reached only the negative conclusion that whichever party loses New York is likely to lose the election. But so far as the actual results of November, 1914, are concerned, it was a drawn battle, leaving the Democrats slightly ahead in the popular vote and slightly behind in prospects relating to the choice of electors.

We come now to consideration of the political effect of the President's speech in Indianapolis from which the Republicans profess to have derived no little satisfaction. The common assumption that this deliverance signaled Mr. Wilson's purpose to become a candidate for reelection may be ignored. Whatever warrant the audience may have had for drawing such an inference from his remark to the effect that "there may come a time when the American people will have a chance to say whether I know what I am talking about or not," was dissipated instantly by his quick disavowal of intent to "start anything." Subsequently, moreover, he made it quite clear that he had in mind no more than a prospective verdict upon the achievements of the Democratic Party under his leadership.

That Mr. Wilson will make his attitude with respect to a renomination known at no distant day may be assumed with surety. So much he owes to his party no less than to other possible candidates who now courteously await an expression of his desire, but none knows better than Mr. Wilson himself that such a declaration necessarily involves interpretation of the second-term provision in the Democratic platform and, to be truly effective, must be explicit, not casual or inferential, and buttressed by sound and sufficient reasoning.

That he should seek to win popular favor in his first political utterance addressed directly to the people was but natural and no more than his duty, but his real purposes clearly were: (1) To justify the administration; (2) to confound his enemies within and without

his party; and (3) to indicate a definite purpose to appeal to the great body of Independents and Progressives for support in the forthcoming national campaign. The speech was in effect a call to combat, and the challenge was accepted promptly by Senator WILLIAM E. BORAH, the most forceful spokesman of the opposition and, as the foremost liberal Republican now living, a most promising candidate for the presidential nomination. This makes for an interesting contrast at the very beginning of a campaign which bids fair to find a high place in our political history.

The President spoke first as a militant partisan: "If I were not ready to fight for everything I believe in," he began, "I would think it my duty to go and take a back seat." He continued:

"The trouble with the Republican Party is that it has not had a new idea for 30 years. I am not speaking as a politician—I am speaking as a historian. I have looked for new ideas in the records and I have not found any proceeding from the Republican ranks. They have had leaders from time to time who suggested new ideas, but they never did anything to carry them out. I suppose there was no harm in their talking, provided they could not do anything. Therefore when it was necessary to say that we have talked about things long enough, which it was necessary to do, and the time had come to do them, it was indispensable that a Democrat should be elected President.

"I would not speak with disrespect of the Republican Party. I always speak with great respect of the past. The past was necessary to the present, and was a sure prediction of the future. The Republican Party is still a covert and refuge for those who are afraid, for those who want to consult their grandfathers about everything. You will notice that most of the advice taken by the Republican Party is taken from gentlemen old enough to be grandfathers; and that when they claim that a reaction has taken place, they react to the reelection of the oldest members of their party. They will not trust the youngsters. They are afraid the youngsters might have something up their sleeve."

Senator BORAH resented this as "a virulent attack upon one of the great political parties of the Nation" not only challenging "the wisdom of the leaders," but also assailing "the intelligence and the patriotism of its rank and file." Denying that the Republican Party had "not had a new idea in 30 years," he instanced the passage of the interstate commerce act in 1887, of the Sherman Antitrust Act in 1893, of the antitrust act, and proceeded:

"We created a Bureau of Commerce and Labor, afterwards passing what is known as the pure-food law, of incalculable value to all the people, the postal-savings law, the parcel-post law, the physical valuation of railroads law, the employers' liability law, the law limiting the hours of service of railroad men, compensation for injuries to Government employees, the child-labor law for the District of Columbia, the Children's Bureau was established, publicity of campaign funds provided for, eight hours a day for Government employees and under Government contracts provided for, a law requiring the railroads to report accidents provided for, the boiler-inspection law, the Bureau of Mines established, the amendment of the Constitution providing for an income tax, the election of Senators by popular vote—and so on ad infinitum, dealing with each particular subject as it arose. Dealing with them sanely, safely, progressively, permanently.

"Then finally we passed that bill which has been so often criticized by the opposition, known as the Vreeland-Aldrich Act, dealing with the finances of the country. I call your attention to the fact, my friends, that when the crisis came a few months ago, and the European situation brought to us a condition unexpected, it was under the Vreeland-Aldrich Act that you proceeded to protect the credit and the business interests of this country. We had months before passed the Federal reserve bank act, but it was not called into activity; it was not put into operation. It was not tested in that crisis, but when the crisis came it was permitted to remain idle while the Vreeland-Aldrich Act was the act under which we proceeded to pass the shoals and pitfalls of those first days of the European crisis. While we did so the Federal reserve bank act lay—huge, cumbersome, bulky, expensive—cast upon the shore of the legislative sea like some antediluvian mastodon, not quite live enough for the menagerie and not quite dead enough for the operating table of the taxidermist; designed apparently for the Federal Treasury, but apparently on its way to the Smithsonian Institution."

When it is recalled further that, while the new banking law was finally enacted by the Democrats, its genesis was Republican and the "idea" from which it was developed was hatched in the brain of Grandfather Nelson W. Aldrich, the difficulty of finding warrant for the President's assertion that he spoke "not as a politician, but as an historian" becomes quite painfully apparent. Why Mr. BORAH refrained from contrasting the relative advantages to the country of lawmaking by grandfathers and youngsters can only be imagined; possibly because he felt abashed at being only 49 years old, while the President, at 58, was welcoming his first grandson. But let us pass on.

After having admitted with commendable frankness that each of the big parties is a minority and dependent for success upon the favor of

the unattached, the President evinced a most cordial and sympathetic regard for independent voters, saying:

"I am not an independent voter, but I hope I can claim to be an independent person, and I want to say this distinctly. I do not love any party any longer than it continues to serve the immediate and pressing needs of America. I have been bred in the Democratic Party; I love the Democratic Party, but I love America a great deal more than I love the Democratic Party. And when the Democratic Party thinks that it is an end in itself, then I rise up and dissent. It is a means to an end, and its power depends, and ought to depend, upon its showing that it knows what America needs, and is ready to give it what it needs. That is the reason I say to the independent voter, you have got us in the palm of your hand. I do not happen to be one of your number, but I recognize your supremacy, because I read the election returns, and I have this ambition, my Democratic friends—I can avow it on Jackson Day: I want to make every independent voter in this country a Democratic voter. It is a little cold and lonely out where he is, because, though he holds the balance of power, he is not the majority, and I want him to come in where it is warm. I want him to come where there are great emotions."

To this Senator BORAH made no response. Possibly he considered accurate definitions injudicious at a time when Republican candidates are wondering just how "independent" it is desirable to be, or even to have been. Or it may be that he doubted his ability to compete with Mr. Wilson in conjuring up overpowering emotions for use upon occasion. In any case, he awaited elucidation, which forthcame—If we may use the President's own term as applied to Grandfather Andrew Jackson—forthrightly. It appears that the one thing Mr. Wilson has "a great, almost a reckless, enthusiasm about" is "human liberty," especially at this particular time in Mexico. His heart still beats loudly for the 80 per cent of submerged peons who have never had a "look-in," and he hopes that "God may speed them in getting it."

"That," he continued, "is what I mean by a great emotion, the great emotion of sympathy. Do you suppose that the American people are ever going to count a small amount of material benefit and advantage to people doing business in Mexico against the liberties and the permanent happiness of the Mexican people? Have not European nations taken as long as they wanted and split as much blood as they pleased in settling their affairs, and shall we deny that to Mexico because she is weak? No; I say. I am proud to belong to a strong nation that says, 'This country, which we could crush, shall have just as much freedom in her own affairs as we have. If I am strong I am ashamed to bully the weak. In proportion to my strength is my pride in withholding that strength from the oppression of another people.' And I know when I speak these things, not merely from the gracious response with which they have just met from you, but from my long-time knowledge of the American people, that that is the sentiment of the American people."

While frankly confessing our inability to comprehend this extraordinary blending of emotion and cynicism, it is perhaps explicable as an attempt at excuse for failure of a policy when compared with this, which follows:

"With all due respect to editors of great newspapers, I have to say to them I never take my opinion of the American people from their editorials. So that when some great dailies not very far from where I am temporarily residing thundered with rising scorn at 'watchful waiting,' Woodrow sat back in his chair and chuckled, knowing that 'he laughs best who laughs last'; knowing, in short, what were the temper and principles of the American people."

The time may come when we shall venture to surmise the aspiration which induced this curious self-delineation, but for the moment a sense of bewilderment is overwhelming. We quote again from Senator BORAH:

"The President now says that we are to let Mexico alone. How unfortunate that that was not the policy from the beginning. I think if he had said in the beginning that we were to let Mexico alone he would have been in an almost impregnable position. All that needed to have been added to that to make a perfect policy would have been that Mexico should respect the rights of American citizens and of foreigners living in that country. Let them settle their own form of government, let them elect whom they would, let them have a despotism or a republic, according as they lived up to the one or the other, and that we would recognize whatever form of government they established, always adding the proposition that, whether it was one form of government or another, the rights and the lives of American citizens should be protected thereunder."

"But we did go to Mexico, Mr. President. What did we go for? What were we at Vera Cruz about? What were the results of the expedition? The first result was that we killed 200 Mexicans; the second result was that we lost 19 of our own men. We were at war with Mexico. Had we killed one English subject or one German subject or one subject of France, there would have been no doubt about our being at war with that country. The only reason it did not take on all 'the pomp and circumstance of glorious war' was the fact that the country with which we were at war was unable to respond against the powerful enemy who had entered its borders. Not only did we intervene when we declared against Huerta, but we were at war when blood was shed upon the soil of Vera Cruz. That was the first result."

"The second result of our going there was the destruction of the only semblance of government which they had in Mexico."

"The third thing which we did in connection with it is one which may have far-reaching consequences in the future, and that is, we notified foreign nations that they must keep hands off Mexico; that they must not build up or give sustenance and support to Huerta or to any form of government. The result of it was that we assumed the responsibility morally, if not legally, for the injuries which flowed from that time on to those foreign powers or to their nationals by reason of the acts or of the conduct of the warring factions of Mexico."

"Then we assumed further, Mr. President, at that time to reform the land laws of Mexico. So we did not let Mexico alone."

"What is the situation in Mexico to-day? Mr. President, the situation in Mexico to-day is indescribable. We have no conception of it. I doubt if it would be possible to conceive a proper measurement of the condition of affairs in Mexico unless we were there, but we know that it is as bad as it could possibly be in a civilized or semicivilized community. We know that over 250 of our own citizens have been injured in different ways and have no apparent remedy or redress."

"Now, sir, when a condition of affairs exists in Mexico such as the civilized world has seldom witnessed and Republicans rise to express their views as to what shall be done, the answer which we get from the public rostrum of the country by the Chief Magistrate of the Nation

is practically, in the language of Barère, that the revolution in Mexico 'shall be permitted to float in upon seas of blood and that the man who questions the course of revolution in Mexico is to be suspected before the American people!'

"Mr. President, speaking for myself, I am desirous of peace with Mexico; I want no war; and I know we shall never take any part of the territory of that Republic; but above and beyond that, and more important to my mind, is the fact that we should at least protect our own citizenship, securing our women against ravishment and our men from murder at the hands of those ferocious men who prey upon our nationals wherever they find them in their territory. There are some things which are dearer to me than peace. I do know this, Mr. President, that no nation ever retains respect among the other nations of the earth or long maintains the consideration of other powers that does not protect its citizens and the honor of its women and prevent them from being ravished and murdered even upon its very doorsteps."

We make no comment now upon this utterance; we merely place it beside the President's declaration for comparison and judgment as to both relative merit and possible political consequences.

Senator BORAH expressed regret that the President should have made a partisan speech "at a time when this country had sore need of united wisdom and patriotism to deal with those matters which have been rendered delicate by reason of foreign conditions," resented his seeming insistence that Senators should accept his judgment without question or regard for their own convictions, deplored Democratic extravagance, quoted freely from Mr. Wilson's book on Constitutional Government, etc., greatly to the satisfaction of his Republican colleagues. With these outgivings, however telling, we need not concern ourselves. The real quality of Senator BORAH's argument is indicated sufficiently by the excerpts presented above. Let us glance now along the whole fighting line.

The points of presumed weakness in the Democratic line-up selected by the coaches of the Republican team as likely to prove most vulnerable may be summarized as follows:

Depression of business: Despite the hopefulness manifested by financiers with respect to the future, the Republican leaders insist that prosperity is yet afar off; that the existing stagnation—18,280 commercial failures compiled by Bradstreet's for 1914—mark a new high record in sharp contrast with the reiterated assertions of the Secretary of Commerce and Labor; that the existing stagnation is as far from being "a state of mind" as the depression of six months ago is proven by this result to have been "psychological"; and that in only a few lines of manufacturing can improvement be anticipated as a consequence of the war. That there is no limit to the foreign demand for war material is admitted, but, it is urged, the present capacity of factories is already overtaxed and can not be increased except through the construction of huge new plants, possibly in contravention of the administration's conception of neutrality, and in any case impossible of material accomplishment before November, 1916.

Prospective bankruptcy of the Treasury: This is fully anticipated as a consequence of declining revenues and increased appropriations, as indicated by the Treasury report of January 8, 1915, as follows:

Income of fiscal year to date.....	\$319,609,606.02
Income last year to same date.....	354,867,122.21
Decrease in income.....	35,257,516.19
Outgo of fiscal year to date.....	401,798,001.15
Outgo last year to same date.....	390,892,111.52
Increase of outgo.....	10,905,889.63
Outgo over income this year.....	82,188,395.13
Outgo over income last year.....	36,024,989.31
Decrease in surplus.....	46,163,405.82

The Treasury estimate, submitted at the opening of Congress, of \$1,090,775,154, or \$18,000,000 less than the preceding year, is pronounced fictitious evidence of economy for political effect, since the "supplemental" estimates already aggregate \$44,000,000, exclusive of \$30,000,000 proposed for an omnibus public bill, \$14,000,000 already made available in the urgent deficiency bill, and a possible appropriation of \$30,000,000 for the purchase of ships. To the suggestion that partial relief may be obtained through the sale of Panama bonds, the reply is made that the bonds pay only 3 per cent, and, since they do not have the circulating privilege and can not under the law be sold for less than par, could not possibly find a market at this time.

Government ownership of ships: This proposal, although fathered by the Secretary of the Treasury and warmly espoused by the President, has found little public favor. It will be attacked as undemocratic; as a plain subsidy; as a deterrent of private investment in competition with the Government, which avows its intention to transact business at a loss; as advantageous only to shipbuilders and possibly to owners of interned German ships; and as perilous to the maintenance of peace with foreign nations. To the President's declaration that the scheme is necessary as a temporary measure to enable producers to reach markets the answer is made that inadequate transportation is due, not to dearth of ships but to lack of pier facilities, longshoremen, and other helpers in foreign ports, as indicated by the fact that 56 ships at London and 54 at Genoa were at the latest report awaiting turn to be unloaded. The President's accusation of excessive rates being charged is met with the assertion that the great delay caused by these conditions necessitates extra remuneration, and by reference to the fact that the present price of wheat is the highest ever known. The bill will probably succumb in this session to the determination of Republican Senators and the indisposition of Democrats headed by Mr. VARDAMAN. It is thought that the administration must then suffer from facing the alternative of acknowledging defeat or calling an extra session.

Mexico: If the warring factions and bloodthirsty bandits who now are despoiling their country shall soon heed the admonition of the President to unite in noble endeavor to establish a just Government with the consent and under the direction of the great majority of common people, the triumph of the administration's policy will be so overwhelming as to confound its critics. If not, the issue inevitably will be whether the United States owes it to her citizens to protect their lives and properties abroad as well as at home, or has no obligation beyond the shouting of caveat emptor to all who so far forget themselves as to cross the border line. In any case, it is quite evident from the impassioned utterances of Senators LODGE and ROOT and BORAH, that the Republican team has yet to be convinced that the President's

chuckle at the prospect of laughing last is fully warranted by his intuitive knowledge of "the temper and principles of the American people."

National defense: It is perhaps but natural that the Republicans should feel that as a unit for preparedness they possess an advantage over political antagonists whose views are diversified.

The Colombia treaty: Whether or not an apology should be made to Colombia, accompanied by a payment of \$25,000,000 for the loss of Panama, is beside the political mark. It suffices for the Republicans to know that the mere proposal has alienated Mr. Roosevelt and his considerable personal following so completely that the administration can not hope for support or cooperation from that source upon any conceivable grounds.

The Diplomatic Service: The mortification of Republicans at the unexpected efficiency demonstrated by our representatives in Europe is mitigated by the common judgment that the most useful services were rendered and the most notable success was achieved by the Republican ambassador who was retained in France long after his successor was appointed. It is also regarded as certain that such of the independent voters as are devoted to civil-service reform will not be attracted by the appointments to South America and may view the proceedings in San Domingo with aversion as a violation of trust.

Sectionalism: Republican leaders are well aware of the danger of playing with fire, but they will have difficulty in quenching the flame which leaped forth in New England when a leading journal asked bitterly if 20 dead men would have been branded as "conspirators" in Texas, as they were branded in Massachusetts and Connecticut, while three sons of the Lone Star State were sitting in the Cabinet and another was acting as the intimate adviser of the President.

Woman suffrage: Final relegation of this subject to the States, it is believed, will deprive the Democrats of an issue which Mr. Bryan surely would have espoused as an appeal for the 91 electoral votes easily controlled by women if they should act as a unit.

The colored vote: No doubt is felt that segregation at Washington will hold every negro in the Republican ranks—a fact, if it be a fact, of no little importance in States like Ohio, Indiana, New York, New Jersey, and Massachusetts.

Such, in brief, are some of the bases of Republican confidence. There are others of a more definitely political nature, embracing the universal disgust with Mr. Daniels, the quite common doubt of Mr. Bryan's efficiency as an executive, the propriety of Mr. McAdoo remaining in the Treasury as a son-in-law, the alienation of three at least of the ablest Democratic Senators, the disaffection of the so-called Clark Democrats who have not been accorded recognition, the seeming dissatisfaction of the chairman and other members of the national committee, and so on; but these are family affairs forbidden to intermeddlers.

Most satisfying of all to the Republicans is the reflection that they have a team, while the Democrats have only a captain—a great captain, to be sure, bold from his sense of power, firm in his resolute aloofness, sure of the justice of his cause—yet but one against so many and so strong.

So the President, in a speech which must be pronounced ill timed and ill judged, resembling nothing more closely than the traditionally putative effort of a tenor to sing bass, turns to the people. In them he has implicit confidence.

But that is not the question. Quite the contrary, we should say.

Mr. GILLET. Mr. Chairman, I yield such time to the gentleman from Nebraska [Mr. KINKAID] as he may desire.

[Mr. KINKAID addressed the committee. See Appendix.]

Mr. GILLET. Mr. Chairman, I yield 15 minutes to the gentleman from Wisconsin [Mr. FREAR].

Mr. FREAR. Mr. Chairman, the pending sundry civil bill carries about \$4,000,000 for rivers in addition to a \$38,000,000 river and harbor bill now reported to the Senate; or in all \$42,000,000 for dredgers, contractors, land reclamationists, and other beneficiaries for next year. This bill has the right of way in the Senate. By a peculiar situation other appropriation bills have not been reported.

Yesterday the House refused to give to the Navy a hospital ship in place of a worthless tub that has been used for many years.

The country is paying an income tax and a war tax and is facing a depleted Treasury in times of peace. It is not my purpose to discuss a mistake made by enacting the Underwood tariff bill, because that is now past history. The country has discovered that while striking down the domestic sugar business built up by an investment of hundreds of millions of dollars of private capital, we left the control of that business in the hands of refiners and irresponsible agencies without reducing one farthing the cost of sugar. While discouraging wool raisers of the country in striking down wool tariffs, we benefited no one excepting the foreign producer. While removing all protection to agriculture we did not aid domestic producers or consumers, because board of trade jugglers, whose customers own or control marketable wheat and other grains, do not include many farmers among the number. The American people know these things and they also know that many needed millions formerly used to run the Government were sacrificed by tariff tinkering until to-day we are confronted by new and differing forms of taxation and an empty Treasury with which to meet necessary burdens.

Before the passage of either the income tax or the war tax the Democratic platform, in 1904, said:

Large reductions can easily be made in the annual expenditures of the Government without impairing the efficiency of any branch of the public service, and we shall insist upon the strictest economy and frugality.

During the years 1904 and 1905 Government appropriations included the following items:

	Army.	Navy.	River and harbor.	All appropriations.
1904.....	\$77,888,752	\$81,876,791	\$20,233,150	\$736,578,402
1905.....	77,070,300	97,505,140	10,872,200	732,197,855

In 1912 the Baltimore Democratic platform said:

We denounce the profligate waste of money wrung from the people by oppressive taxation through the lavish appropriations of the recent Republican Congress, which have kept taxes high and reduced the purchasing power of the people.

Our Democratic friends are now in power. Facts speak louder than idle arguments, and we turn to comparisons with the following results:

	Army.	Navy.	River and harbor.	All appropriations.
1914.....	\$94,266,145	\$140,800,643	\$51,118,889	\$1,098,678,788
1915.....	101,019,212	144,868,716	26,998,500	1,116,118,138

Additional contract authorizations were made in 1914 of \$68,505,074, and in 1915 of \$40,333,000. Appropriations for 1916 fiscal year are not yet passed.

Instead of decreasing the appropriations or lessening "oppressive taxation" the party in power has jumped every appropriation in 10 years approximately 50 per cent, and rivers and harbors over 100 per cent, while "oppressive taxation" now includes every tax formerly levied with an income tax and oppressive war tax added to our burdens. Nor has the high cost of living been reduced in a single instance. The wastefulness and extravagance of this Democratic Congress has become generally known, but the opinion of Mr. FITZGERALD, the able chairman of the Appropriations Committee, a Democratic leader and a man best qualified to speak, is as follows:

Whenever I think of the horrible mess I shall be called upon to present to the country on behalf of the Democratic Party I am tempted to quit my place. * * * Our Democratic colleagues have not given support to us thus far during this session of Congress. They have voted against recommendations they should not have voted against; they have unnecessarily piled up public expenditures until the Democratic Party is becoming a laughingstock of the country.

Here we have a Democratic platform utterance pledging economy, next a record showing unparalleled waste and extravagance in an administration, and finally the condemnation of his own party by its Democratic chairman of the Appropriations Committee.

What will be the record for 1915? Will we curtail or reduce our expenditures? If so, where and how?

Within the past half dozen years we have been piling up enormous future obligations for worthless and wasteful waterways. After an expenditure of about \$800,000,000 for waterways, nearly half of which has come in the past dozen years, we learn that future obligations have grown as follows:

Projects under way, due.....	\$250,000,000
New projects, amount required.....	101,000,000
197 surveys 1915 bill, approximately.....	78,000,000
Total.....	429,000,000

We have been saddled with extravagant expenditures and more taxes and, in addition, with a future debt for waterways alone which may reach approximately \$429,000,000, if the 1915 bill in the Senate becomes law. Only a portion of this indebtedness has been created by the present administration, but it is rapidly increasing, and no effort has been made to retrench. On the contrary, the 1915 bill pending in the Senate carries over \$38,000,000, and 197 new surveys, involving an estimated present and future expenditure of \$116,000,000. It is no excuse to say new surveys are not to be undertaken as present projects. Why appropriate \$400,000 to make 197 new surveys? Why should we invite greed and waste on the one hand, while on the other is a declaration adopted by the Baltimore platform that economy shall rule and oppressive taxation cease? Wherein has an attempt been made to keep that promise?

I shall only briefly refer to the waterway waste, better known as the annual "pork barrel," which is typical of other expenditures denounced by Mr. FITZGERALD. In addition to an increase of over 100 per cent in 10 years, as shown, the 1914 pork-barrel bill reached over \$60,000,000 in cash, counting in sundry civil bill items, or nearly 100 per cent more than all the appropriations for rivers and harbors for the two years of 1904 and 1905 put together, which a Democratic platform denounced. When

the last river and harbor bill was before the Senate, it was fought by Republican Senators, who denounced it because of its unparalleled fraud and waste. Search the records and you will not find the voice of a single Democratic leader at the other end of the Capitol raised in protest. The bill was defeated by a handful of Republican Senators, while the \$20,000,000 substitute adopted by the Senate and the House was drawn by a Republican Senator.

There should be no politics in Government economy, but the record can not be disputed.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. FREAR. For just a moment.

Mr. BARTLETT. What did the gentleman say was the appropriation for 1902-3?

Mr. FREAR. For 1904-5 they aggregated \$31,000,000.

Mr. BARTLETT. For the two years?

Mr. FREAR. For rivers and harbors.

Mr. BARTLETT. For the two years or for each year?

Mr. FREAR. For the two years combined. This year \$42,000,000.

Mr. FITZGERALD. Does that include contract authorizations?

Mr. FREAR. That includes the sundry civil items.

Mr. FITZGERALD. But does it include contract items?

Mr. FREAR. I suppose it does. In 1904 the river and harbor bill was \$20,333,150.

Mr. FITZGERALD. That was the actual appropriation. What were the contract authorizations?

Mr. FREAR. I do not know; but it includes the sundry civil bill items and all.

Mr. FITZGERALD. No; the sundry civil bill carries the appropriations—

Mr. FREAR. Then it includes all, because I took the sundry civil bill items.

Mr. FITZGERALD. What I asked the gentleman is, How much were the authorizations in the river and harbor bill in addition to the actual appropriations?

Mr. FREAR. In both cases I have taken the same standard; that is, all that was contained in the river and harbor bill and in the sundry civil bill. I can not say as to the specific items.

Mr. FITZGERALD. Last year there were practically no contract authorizations, but all cash appropriations, in the river and harbor bill.

Mr. FREAR. There were in the original sundry civil bill, and there are in this sundry civil bill here.

Mr. MANN. Besides, if the gentleman will permit, contract authorizations are paid for over a series of years. That is quite different from the actual appropriation to be paid for during the year.

Mr. FREAR. That is true.

Mr. FITZGERALD. But if, for instance, there are fifty millions obligations, it must be met in the future. It does not attract as much attention, but there is more financial difficulty than where you make specific appropriations.

Mr. FREAR. In an attempt to economize we are refused a hospital ship for the Navy. What business man discharges his doctor or throws away money when times are close? What man refuses to buy medicine while extending gratuities to relatives and friends in times of business depression? What corporation other than our Government throws economy to the winds when burdensome taxes are levied to meet extravagances?

According to Engineers' reports, the total maintenance items in the 1915 rivers and harbors bill are \$4,760,540. That sum should carry over until next year. When the House bill aggregating \$34,000,000 was before us I briefly analyzed many of the worthless and many of the extravagant projects it contained. In the RECORD of Friday, January 29, were offered official refutation of claims of commercial needs, with a disclosure of the small actual commerce served by many expenditures. That bill, now reported to the Senate, reaches \$38,000,000, in addition to \$4,000,000 contained in the sundry civil bill before us, although \$4,760,540 will meet pressing necessities of maintenance. Why is an appropriation made eight times larger than maintenance estimates? Why are we asked to survey 197 new projects contained in the bill when the Treasury is depleted and taxes were never more burdensome? Why are we placing approximately \$78,000,000 more in obligations for 40 per cent of approved surveys, in addition to \$350,000,000 in present obligations? Why does the 1915 economy rivers and harbors bill carry over \$100,000,000 in present and probable future obligations? Why does a party that denounces oppressive taxation before election refuse to raise its voice against a hypocritical, wasteful "pork barrel" again thrust upon the people?

Why does it refuse a hospital ship in order to waste millions, including \$6,000,000 for a Mississippi land-reclamation scheme?

If we would find answer, ponder well these facts: Florida, with a comparatively small actual commerce, gets 30 projects out of 250 contained in the \$38,000,000 bill. Do we not know that one of the custodians of the merchant marine bill and influential officials on committees at both ends of the Capitol are in a position to strongly represent Florida's interests in this bill?

North Carolina, with an insignificant actual commerce, gets 20 out of 250 contained in the \$38,000,000 bill. Is it not true that close administration leaders, who steered the tariff bill to safety, have great influence on the committees and upon Congress when North Carolina's claims are urged?

Texas, with a comparatively small actual shipping traffic outside of Galveston, gets 20 extravagant projects out of 250 contained in the bill. It includes the trafficless Trinity, the trafficless Brazos, and a dozen other inexcusable items; and Texas has 18 distinguished Democratic Congressmen—all leaders. Why do Louisiana and Mississippi get 25 projects for those two States, and why does the lower Mississippi get \$6,000,000 from the Government Treasury for a private land-reclamation project?

Who are two of the most influential and industrious and liberal waterway members to be found on the respective committees of either House or in the country? Why are the trafficless Missouri and the Mississippi and the \$64,000,000 Ohio River extravagance to be given over \$15,000,000 in the present bill?

Why has the bill been presented to the Senate by jumbling together projects in different States under one item, excepting to hide the actual projects and amounts given for maintenance to each? Why this sudden change in policy? Why not lump the whole bill, and thereby better deceive and confuse as to all of the projects? Why are the remaining projects in the bill scattered all over 35 remaining States of the country except to touch districts here and there and quiet opponents of the bill?

Why are 197 surveys to aggregate approximately \$78,000,000 in approved projects scattered throughout the country, excepting to help bring votes to insure the bill's passage in both Houses? Why do we continue a waterway pork barrel in these days of war taxes and hard times?

The \$38,000,000 river and harbor bill, with 197 new surveys, approximating \$78,000,000 in additional future obligations, or about \$116,000,000 in all, is one of the most extravagant waterway bills ever attempted to be saddled onto a tax-ridden people. It is a Democratic appropriation bill that discredits all partisan platform pledges of economy and merits the deserved denunciation given by Representative FITZGERALD. No extravagant pork bill was ever before passed in days of business depression, but we are now asked to break down all professions of economy and continue to improve wasteful or worthless projects.

The last river and harbor bill was for \$53,000,000. It was killed by Republicans. It saved \$33,000,000 in war taxes. The \$38,000,000 bill of this year can be cut to \$5,000,000 for maintenance, and thereby save another \$33,000,000. Will any Democratic leader of the administration aid in realizing economy professions by helping to defeat the bill if it comes back to the House? Why is the \$38,000,000 pork barrel of 1915 larger than the combined bills for 1904 and 1905, when Democratic conventions were resolving to economize and Democratic Senators were denouncing such bills?

What excuse is offered for a 100 per cent increase in 10 years?

What excuse is offered for the 197 new surveys in the 1915 bill? What excuse is offered for the present \$350,000,000 waterway obligation?

What misrepresentation can pull a hypocritical veil over the 1915 bill so as to deceive the American people as to its contents or wastefulness?

Mr. MANN. It does not cost as much a year to extend it over a series of years within the discretion of the Committee on Appropriations.

Mr. FREAR. The House is aware of the fact that the river and harbor bills are prolonged by the dribbling appropriations which are made.

If the country will pillory the bill and those who defend it, we will soon have a better system, a more economical administration, and an abolition of war taxes.

An ounce of prevention is worth a pound of cure, and an ounce of performance is worth many pounds of convention pledges.

The American sailors yesterday asked for a hospital ship to care for the country's invalid defenders. Under the leadership of the distinguished gentleman from Alabama [Mr. UNDERWOOD]

their request was rejected on the grounds of economy. Do we forget that less than three weeks ago an \$18,700,000 private water-power project had an initial appropriation in the rivers and harbors bill? Its allowance was urged by the same Democratic leader upon the floor, but was defeated. Do we forget that less than three weeks ago a \$34,000,000 river and harbor bill filled with wasteful and extravagant items was defended by the same able Democratic leader, and it was passed by his party, pledged to economy.

The American sailor asked for a hospital ship for the man who has volunteered to defend the Nation, but who is temporarily disabled—for the man who is lauded by all patriotic citizens and whose life is dedicated to his country's cause. He asked for bread and you gave him a stone.

Mr. TOWNSEND. Will the gentleman yield?

Mr. FREAR. For just a question.

Mr. TOWNSEND. Upon what authority does the gentleman think the American sailor asked for that hospital ship? The Secretary of the Navy did not ask it.

Mr. FREAR. I assumed from the arguments made here yesterday that you had no suitable boat to answer that purpose.

Great political interests to-day are asking that you give them another pork barrel. Will you do it? We could almost buy three hospital ships with what we are spending for the lower Mississippi land-reclamation project. We could buy three hospital ships with what we are spending for the Ohio canalization scheme, counting sundry civil items. We could buy 15 hospital ships with what is contained in waterway appropriations this year over the cost of actual maintenance, and we would still have several million dollars left for emergencies.

Do not deceive yourselves. The country will hold any administration responsible for passing such a "humbug and a steal," as it was termed by one of your foremost statesmen in Congress.

Do not forget that a hospital ship is more necessary to the country than a pork barrel, and the country will not justify your actions in defeating the one or in passing the other.

When such standards of economy become known, sure and swift reward will come to any party that is responsible, nor will a war-tax-ridden people patiently bear wasteful and worthless waterway burdens when confronted by an empty treasury.

The CHAIRMAN. The time of the gentleman has expired. All of the time of the gentleman from Massachusetts [Mr. GILLET] has expired. The gentleman from New York [Mr. FITZGERALD] is recognized.

Mr. FITZGERALD. Mr. Chairman, the gentleman from Kentucky [Mr. SHERLEY], a member of the subcommittee which prepared the bill, is unable to be present to-day. He desires to use some time in general debate, and I therefore ask unanimous consent that the time for general debate remaining on this side may be reserved, to be occupied some time next week by the gentleman from Kentucky.

Mr. BRYAN. Mr. Chairman, reserving the right to object, I wanted some time, and I was going to take some time between now and the next two or three weeks. I would like 10 minutes of time at least. Of course, I can not save this time for Mr. SHERLEY. He can get what time he wants at any time.

Mr. FITZGERALD. We can save it with the consent of the House.

The CHAIRMAN. The gentleman from New York [Mr. FITZGERALD] has 58 minutes remaining under the agreement entered into this morning as to the amount of general debate.

Mr. MANN. Mr. Chairman, reserving the right to object, I feel like accommodating the gentleman from Kentucky [Mr. SHERLEY] in every way, but it does not seem to me desirable to make an agreement at this time in reference to the continuation of the general debate after we commence reading the bill. When the gentleman from Kentucky [Mr. SHERLEY] makes his request later I think it will be sufficient time to pass upon it, if he wants general debate on this bill. Of course his own bill will be before the House soon—the fortifications bill, of which he will have charge. I do not think it is desirable at this stage in the session to make an agreement about throwing over general debate until some time under the five-minute rule.

Mr. FITZGERALD. It is an unusual condition. The gentleman wishes to discuss matters pertinent to the bill.

Mr. MANN. If that is the case, and he makes the request in the House, I have no doubt the House will treat him with all courtesy at that time. I shall have to object to the request at present. I think we ought to make some progress.

Mr. FITZGERALD. Has the gentleman from Massachusetts [Mr. GILLET] any time remaining?

The CHAIRMAN. The gentleman from Massachusetts has exhausted his three hours.

Mr. FITZGERALD. Mr. Chairman, I yield to the gentleman from Washington [Mr. BRYAN].

Mr. BRYAN. Mr. Chairman, through the courtesy of the gentleman from New York [Mr. CALDER] I had the privilege as well as the honor of an invitation to address the Republican Club of New York City on the 23d of last month on the subject of Government ownership of railroads. The occasion was a most pleasant and enjoyable one so far as I was concerned, for I found myself in the midst, I am sure, of the most hospitable surroundings and among the finest set of gentlemen to be found anywhere on earth outside of the precincts of home, or out West, where I reside. The program called for an informal discussion of the subject, much like a debate, in which I was followed by Mr. B. F. Yoakum, of the Frisco system; Mr. Thomas F. Woodlock, formerly of the Wall Street Journal; and Prof. Edward Sherwood Mead, of the University of Pennsylvania. Under the arrangements I was allowed 10 minutes at the close of the debate for rebuttal.

I can not claim to have been as successful in convincing my audience of financiers, bankers, railway men, and New York Republican Club members that the Government should adopt Government ownership as they were in convincing me that they knew how to royally treat a guest; but even from the standpoint of an ardent believer in Government ownership, I am sure the occasion was productive of great good. It was agreed as a preliminary rule of the debate that I was to go the limit for the doctrine in which I believed and should not hold back or expurgate my remarks for fear I would come in conflict with somebody's preconceived notions.

As a result of the notice given to that occasion by the Associated Press, the United Press, and other news agencies throughout the country, I have been besieged with requests for copies of the speech or for information on the subject of Government ownership of railroads by high-school debaters and others all over the country. I now desire to give all of these an opportunity to make such use of the results of my efforts as they can through the CONGRESSIONAL RECORD.

I do not expect to incur the expense of reducing this speech to pamphlet form, and debaters and others wanting the information, or perhaps I should say wanting to learn if there is any information contained in my remarks, will have to inform themselves by obtaining a copy of the RECORD of this day.

Since that occasion I have added to and amplified my arguments, and I now present these, together with certain pertinent observations, which seem to me to be conclusive, on behalf of Government ownership of railroads.

I shall handle the subject here to-day as a repetition of the presentation made at that time, the only difference being that on this occasion, with the time allowed and the privilege of extension in the RECORD, I will be able to present arguments much more voluminous, if not more convincing.

The question for discussion, as stated on the program, was, "Should the Federal Government own or operate or only supervise the interstate railroads?"

This limited the subject matter to interstate railroads only, not intrastate or lines exclusively under the jurisdiction of any one State.

Next, the statement of the question conceded supervision by the Federal Government as essential. It raises no question on that score, nor would any sane, well-informed American raise that question. We might restate the proposition like this: Conceding that it is a proper policy for the Federal Government to supervise and regulate interstate railroads, would it be a proper policy under existing conditions for the Federal Government to own or operate them?

UNCLE SAM KNOWS HOW TO OPERATE THE RAILROADS.

It being agreed that Uncle Sam knows how to supervise the railroads, it must be admitted that he knows how to operate them. If he can tell the railroad owners exactly how to execute every detail of operation and management, as he is now doing through the Interstate Commerce Commission, he must know how.

Then we might again state the question like this: Since the Federal Government is competent to operate the railroads, and must instruct the present owners how to operate them, and must enforce its instructions and orders with United States marshals and penalties, should the Government also own or operate?

THE GOVERNMENT IS BIG ENOUGH TO OWN AND OPERATE THE RAILROADS.

Let us consider the Government of the United States as a great corporation, with 100,000,000 stockholders and a capitalization of \$150,000,000,000, the latest estimate of our national wealth, with annual savings or dividends of \$5,000,000,000.

The activities of this greatest corporation on earth extends in every conceivable direction. In the West it reclaims arid lands and owns and operates two short railroads in the Reclamation Service, and in Alaska it administers the details of its vast properties up there and is building and will operate its railroad system.

This gigantic corporation, with the people as its stockholders, manages a tremendous Military and Naval Establishment and controls in various ways the vast commerce between the States and safeguards American commerce on the high seas. It owns and operates for pay the Panama Canal and the Panama Railroad and five great ocean liners between New York and Panama in ordinary carrying trade in competition with privately owned merchant ships.

This great corporation, whose monopolistic power makes no one fear except its enemies, if such there be, is not so great as to prevent it from successfully operating an ice-cream factory at Colon, hotels, eating houses, grocery stores, meat markets, steam laundries, and various other enterprises in the Canal Zone.

In the West it markets its timber on its vast public domain, and tells the coal baron who would monopolize the coal to figure how much coal he wants for actual use, and it—this vast corporation of yours and mine—will see what can be done toward a transaction that will have regard first of all for its stockholders—for you and me. To the water-power syndicate this corporation says: "I own these waterfalls for my stockholders, just as I own the timber and the coal. I'll enter into a lease with you if you will agree to operate the lease for the benefit of my stockholders first and your own stockholders second. If you want to sell water power on the square, all right; if not, I'll do it myself."

Every intricacy of the Postal Service, from the delivery of a post card to the shipment of a 20-pound parcel, is handled by our corporation with a nicety of perfection that makes every American proud. It accepts our savings on deposit and distributes the one billion of annual assessments in the education of our children, the training of the farmers and artisans, the saving of life and health, and for the well-being of us all.

Already 11 Republican Senators and 1 Progressive have gone on record without qualification for the most sweeping proposition for ship ownership and ship purchase and ship operation by the Federal Government that has ever been proposed. On January 24, 1914, when the Alaska railroad bill was up, such progressive men as Senators BRADY, BRISTOW, CUMMINS, FALL, GRONNA, KENTON, LANE, MARTINE of New Jersey, NORRIS, WORKS, and POINDEXTER—LA FOLLETTE was sick and could not vote—in supporting the Norris amendment took a stand with the vast body of American people when they voted to direct the President to acquire not less than 10 nor more than 20 merchant ships to engage in the passenger and freight business on both the oceans and in the coastwise trade. These splendid statesmen, exercising their honest, faithful, well-matured convictions, voted to appropriate \$15,000,000 to start the Government in that enterprise. That proposition was defeated; but now the administration in power stands for the same thing. Can there be any doubt in the minds of any man who believes in the courage and sincerity of American statesmanship that this great corporation, which the people love, will stand its ground against the measly, grasping, greedy Shipping Trust, which stands at the doors of parliaments and on the thresholds of kings and proclaims its right and power to make and unmake republics and the governments of the earth according to the amount of gold in the form of subsidy it can bluff out the fawning, cringing, cowardly lords or sires or legislators with knee breeches and goggle-eyes, or whatever you call them in parliamentary terms?

Think of the insolence of a trust like the International Mercantile Marine Co., with Mr. J. Bruce Ismay of *Titanic* fame as president, which owns the American Line, the White Star Line, the Red Star Line, the Atlantic Transport Line, the Dominion Line, and controls the Leyland Line and the National Line, whose sailings comprise 47 distinct lines of service, which extend to practically all the ports of the world, with a fleet of 138 vessels of a tonnage of 1,355,236 tons, shifting its American-built and foreign-built vessels from English to American flag, according to legislation, for it owns English corporations and American corporations. With this vast fleet of vessels it says, "Ha, ha; sure, we are Americans; we know you want vessels to fly the American flag; we know you want vessels that can be converted into American transports in time of war; we know you want the Stars and Stripes to fly on an American merchant marine; and we know our boats will be used by the foreign nations for their troops in case of war. We know you need neutral ships to carry your cotton and your wheat, but we

demand that you tax the people and give us a subsidy in gold or you do not get our ships. Of course, we are making 30 per cent; that is what we are in business for. My name is J. Bruce Ismay, saved from the *Titanic*, who is still defeating American claimants in their efforts to get damages for injuries for their losses on the *Titanic*, although we have had to pay the English claimants long ago. I am not afraid of your Government competition, because I know full well you will not get the votes except when you do not need them."

The Shipping Trust is the most infamous, independent, and arrogant combination on earth. We could cope with piracy on the high seas. We had naval heroes who were not afraid to lash their vessels to the sides of the pirate ships and take their crew but—

All right; but just watch what will happen when the American people really find out what is being handed to them.

I did not intend to make this diversion, but in laying down the lines of activity of this great corporation which we own, and in contemplating the necessity for Government ownership of railroads, it was natural to stray off a little on a burning subject like this, especially since the railroad interests in reality own most of the steamships flying the American flag.

I shall classify my arguments under three heads: (1) Democracy, (2) economy, and (3) efficiency.

DEMOCRACY DEMANDS GOVERNMENT OWNERSHIP OF RAILWAYS.

The rule of democracy must be maintained among the stockholders of this great corporation, or else democracy and republican institutions will forever vanish from the earth and the idea of the people ruling a great nation will become a myth.

The railway system of the United States is valued by its owners at approximately \$20,000,000,000. It collects annually over \$3,000,000,000 of revenue and floats nearly a billion a year of new stocks and bonds. It has increased in value tremendously in the last decade. The unearned increment is far greater than the original investment. In other words, they have more than doubled in value and will continue to increase tremendously as the country develops.

COMBINATION AND CONCENTRATION POSSIBLE ONLY UNDER GOVERNMENT MONOPOLY.

Combinations and centralizations in transportation are absolutely essential. Monopoly of railways is inevitable and necessary. The attempt to keep the railways apart and compel them to fight each other is absurd and wasteful. Harriman, from one standpoint, did a great service for the people of the United States in going as far as he did toward Harrimanizing the railway systems. But such a tremendous machine, such a gigantic monopoly, can not live within the bounds of a republic. A government which collects only \$1,000,000,000 a year for its own operation feels its weakness in the presence of an internal corporation whose annual revenues are three times that of the government itself and which passes into the hands of a very few men who control almost unlimited additional wealth through interlocking and correlated corporations. The only check to such powerful concentration is Government ownership.

PRIVATE OWNERSHIP OF RAILROADS CREATES AN ARISTOCRACY OF WEALTH.

The raising of tariff by which some \$300,000,000 is collected annually is said to be a power in the Federal Government which may make or unmake the business of the country over night. If the Government has power to paralyze industry and throw millions of men out of work or bestow untold blessing on everyone by a mere rearrangement of tariff schedules involving the collection of \$300,000,000, how much greater than the Government is the organization which has the right to arrange freight and passenger tariff schedules for the collection of \$3,000,000,000 annually, an amount that will probably be doubled in another decade. Such power naturally adds to itself other great interests such as the banking interests, the manufacturing interests, the water-power interests, and leads to an aristocracy of wealth in which a half dozen men become enthroned with more power than a king, a czar, or a kaiser.

The big transportation machine in the United States has become too big to live as a privately owned machine under the people's corporation known as the United States of America. The 100,000,000 stockholders of this \$150,000,000,000 company, called the United States of America have already concluded that the supremacy of the Government is challenged by this power within itself greater than itself. The inevitable result has been the opening of a fight which will be to a finish between the two institutions. Either the democracy of the people, asserting itself through the Federal Government, or the aristocracy of wealth, centered about the railway owners, must eventually fall. The Federal Government has already won the prelimi-

nary skirmish by compelling the railroads to submit to supervision even to the extent of fixing rates and controlling expenditures. There will be no retrogression, the people through their representatives will stand by the fight, public ownership will come very soon, and democracy will permanently prevail.

ECONOMY DEMANDS GOVERNMENT OWNERSHIP OF RAILROADS.

Who has the ability to sound the depths or measure the heights of railroad extravagance in this country. Capitalized at \$20,000,000,000, they give that sum as the present value of the railroad properties in the United States. I can not set forth what portion of this \$20,000,000,000 is mere water, so called, or what portion represents a cash investment, but I have substantial proof that the water exceeds the cash that has been paid into the railroads out of the pockets of railway owners or investors.

There is no way to figure accurately this phase of the subject, but I find in the *Railway Age Gazette*, a partisan railway journal, for August 21, 1914, some very convincing evidence taken from the book by Prof. Walther Lotz, who is vouched for by the *Railway Age Gazette* as one of the best authors on railway management in the known world and accordingly a most valuable witness.

THE RAILWAYS OF GERMANY A "MILCH COW" FOR THE GOVERNMENT.

The author is against public ownership, and starts out with the statement that "Germany's State railroad system is an oppressive monopoly and a political mistake." He warns America and England against a similar error. The author presents that the Prussian railways are taking from the people vast sums of money to assist the Government. An annual profit of 4 per cent over interest is alleged to be harvested by these Government-owned railroads.

I quote from the report of the statement of Prof. Lotz as published in the *Railway Age Gazette* of August 21:

In addition to subsidizing out of railroads the ill-balanced State finances, Prussia has created from the same source a vast State property. This is shown by the railroad capital account. The railroad administration has written off an excessive amount of the original small capital outlay of \$2,875,000,000. Altogether \$750,000,000 has been amortized. So that of the original railroad debt only \$2,125,000,000 remains outstanding. This, judged by European values, is ridiculously small capitalization for 38,000 kilometers, nearly all double, treble, or even quadruple tracked, and splendidly equipped. As a fact the present sale value of the state railroad system is appraised at \$5,200,000,000. The increase in value is due to the putting back into the roads of part of the profits, to extensions built out of profits, and to natural rise in land and other values. The difference between the outstanding capital of two billion and odd dollars and the present value of \$5,000,000,000 is the profit and property of the State.

GERMAN PEOPLE MAKE THREE BILLION BESIDES THE 4 PER CENT.

Consider this astounding statement of Prof Lotz—that the Prussian railroads referred to are worth \$5,200,000,000 while they are capitalized on the Government capital account at only \$2,125,000,000, so that, to use his own words—

the difference between the outstanding capital debt of two billion and odd dollars and the present value of \$5,000,000,000 is the profit and property of the State.

A part of Germany's profit on the \$5,000,000,000 worth of railroads referred to is \$3,000,000,000. It has amortized a sufficient sum which, when added to the increased value or unearned increment of the roads, makes the entire system 60 per cent paid for and leaves only 40 per cent of its value, or two and one-quarter billion, still standing on the books. But that is not all. Prof. Lotz says these roads, after paying the 4 per cent interest and the amortized surplus of three billion and interest—

between 1882 and 1912 over one and one-quarter billion dollars has been taken out of the railroad profits and handed over to balance the State budget.

So in reality there is only one billion not already taken out of these roads by the people, or 20 per cent of the present value of the roads.

Apply these figures to our experience, and surely the advocates of private ownership would not claim less for American privately owned lines than is admitted for the German lines; and admitting for argument's sake that our roads are worth \$20,000,000,000, that there is not a drop of wafer in the stocks and bonds, we find that the \$20,000,000,000 worth of railroads should stand on the books at \$4,000,000,000—20 per cent of their value—the \$16,000,000,000 would have to be charged off, used to "subsidize ill-balanced State finances," amortized, credited to profits or surplus, if we have done as well as Germany, and all this in addition to 4 per cent interest. If the Government owned the lines as Germany does, and had done as well as Germany, the people would have that \$16,000,000,000 as well as the interest paid in full. Certainly our private owners have done that well, because this eminent author says public ownership is a failure and American private ownership a success.

I am convinced that these figures as to German conditions are accurate, and that if the Government of the United States had operated the railroad system it would not have more than \$4,000,000,000, or 20 per cent of the value of the roads, invested, so far as the "capital account" would show. The people would have the sixteen billion that are now the assets of the Harry Thaws, the Goulds, the Vanderbilts, the Rockefellers, the Hettie Greens, the Gates, the papas-in-law of foreign counts, and the guardians of rare and nameless poodles and collies and trotters and yachts.

AMERICAN PEOPLE LOSE SIXTEEN BILLION.

Who got the sixteen billion—the 80 per cent? In Germany it went into the public resources. Would it not have promoted economy for the sixteen billion to have gone to the public in America? In England it has gone to the Rothschilds, and in America it has not only been used to swell private fortunes but to gouge the public and corrupt public servants; to New Haven the widows, Rock Island the farmers, and Pere Marquette the Michiganders.

The bitterness of the dregs of the cup the people must drink in considering railroad extravagance in this country, and the reckless disregard of the public in developing these lines, is intensified by calling attention to the statement of this eminent railroad witness, Prof. Lotz, that the German lines are nearly all double or treble or even quadruple tracked and splendidly equipped.

It may be said that railroad construction, because of labor and prices of commodities, has been more expensive in this country than in Germany, but that will not hold good, for it is the stock argument of the private owners that German railways cost half as much again as ours, and owing to the excessive cost of right of way there as compared with the lavish 40-mile-wide gifts here there is truth in the claim.

Let him who would ridicule these figures, deduced from Prof. Walther Lotz, and the twenty billion capitalization claim of the railways, please consider what has happened in Great Britain. The railways in the United Kingdom under private ownership are valued at \$314,000 per mile. Our lines will follow suit if they are permitted. At the same rate our system would be capitalized at eighty-one billion instead of twenty billion. There must be some reason why Germany can fight against the world and England can hardly fight with the world.

I have compiled some figures which appear to me to go a long way toward confirming the deductions just made in so far as reference is made to the American lines, which I now make part of these remarks:

Years.	Mileage.	Annual increase of mileage.	Freight cars owned.	Number of employees.	Total mileage of freight cars.	Passengers carried 1 mile.	Stock.	Bonds.	Total railway capital.	Capital increase by years.	Annual increase of capital per added mile.
1903.....	213,422		1,753,389	1,312,537	14,039,924,661	120,795,314,141	\$6,155,559,032	\$6,444,431,226	\$12,599,990,258		
1904.....	220,112	6,690	1,798,561	1,296,121	14,560,997,712	122,347,726,788	6,335,899,329	6,873,225,350	13,213,124,679	\$615,144,421	\$91,950
1905.....	225,196	5,084	1,842,871	1,382,196	15,082,070,763	23,800,149,436	6,554,557,051	7,250,701,070	13,805,258,121	592,133,442	116,461
1906.....	230,761	5,565	1,958,912	1,521,355			6,803,760,093	7,766,661,385	14,570,421,478	765,163,357	139,310
1907.....	236,949	6,188	2,126,594	1,672,074	17,122,259,754	27,718,554,030	7,356,861,691	8,725,284,992	16,082,146,683	1,511,725,205	244,461
1908.....	240,846	3,897	2,231,181	1,436,275	16,857,003,236	29,082,836,944	7,373,212,323	9,394,332,504	16,767,544,827	685,398,144	175,878
1909.....	244,084	3,238	2,218,280	1,502,823	17,169,413,224	29,109,322,589	7,686,278,545	9,801,590,390	17,487,868,935	720,324,112	222,463
1910.....	249,992	5,908	2,290,331	1,699,410	18,981,573,779	32,338,496,329	8,113,657,380	10,303,474,858	18,417,132,238	929,263,303	159,963
1911.....	254,732	4,740	2,359,335	1,669,809	19,315,156,130	33,201,694,699	8,470,717,611	10,738,217,470	19,208,935,081	891,802,853	188,141
1912.....	258,033	3,301	2,382,674	1,716,380	19,466,402,067	33,132,354,783	8,622,400,821	11,130,135,443	19,752,536,264	543,601,183	164,678
Increase in 10 years.....		33,611	629,258	392,843	5,426,477,406	12,337,040,642	2,466,841,789	4,685,604,217	7,152,543,006		

¹ 1903 and 1904 as to freight and passengers averaged from reports for 1900 and 1905.

Note that the railroads increased in mileage in the 10 years from 1902 to 1912, 33,611 miles, or 15.7 per cent. In the same period the total capitalization in stocks and bonds went up from \$12,590,990,258 to \$19,752,536,264, which amounted to an increase of \$7,152,546,006, or 36 per cent. The railroads enjoyed tremendous prosperity during the 10 years immediately prior to 1903. There was plenty of water pumped into the capitalization during that period. There was no real reason why the railway capital should have even gone as high as it was then.

"THE WHOLE OF LAKE MICHIGAN" LET IN.

In May, 1879, when the St. Paul, Minneapolis & Manitoba Railroad was formed, the fixing of the amount of the capital stock was a much-discussed question. James J. Hill wanted to hold it at \$5,000,000. George Stephen wanted it \$25,000,000. He argued that they might as well put the stock up to begin with, for if they tried it later there would be raised the "demagogic" cry of "water."

"Water," said Hill; "we've let the whole of Lake Michigan in already."

Their differences were compromised at \$15,000,000, for what was a difference of \$20,000,000—all excess water—between "empire builders," especially since the real builders of the West—the farmers, the artisans, the merchants, the home builders yet to come to the West—would have to pay the debt and the dividends and interest for all time to come and make it a source of revenue, not burden, to these private fortune builders.

How is that for economy? Does anyone suppose Uncle Sam could possibly have been as extravagant, if he had taken the view that it was his duty to build and own the railroads instead of subsidizing them with land grants and concessions with these "empire builders" at the pump handle?

The railroads were generally started off on a three-to-one basis. If the road was to cost \$100,000,000 they would issue \$100,000,000 of bonds and \$200,000,000 of stock. Then they would double this when they began operations.

THREE HUNDRED PER CENT OR NOTHING—BUT FIGURES AND PAPER.

Prof. William Z. Ripley, professor of economics in Harvard University, in "A comprehensive, unbiased study of the methods that have been used to raise money for American railroads," published in the Railway Age Gazette for May 29, 1914, sets forth the practices a generation ago. It might be remembered that the organizing and the financial methods of a generation ago were as far behind the frenzied railroad financing of today as the oxcart of that period was behind the automobile of today. Here is what Prof. Ripley had to say:

A knot of promoters planning an enterprise first formed a railroad corporation and authorized, let us say, capital stock to the amount of \$1,000,000. This consisted of 10,000 shares, par value \$100. This stock was issued to themselves part paid (\$10 per share), \$100,000 in all being temporarily borrowed for the purpose. A glowing prospectus then offered for sale two millions of bonds, with the proceeds of which the road was to be built. These bonds were sold at 80, with perhaps a bonus of stock thrown in, thus realizing \$1,600,000 in cash. From this the promoters reimbursed themselves for the \$100,000 already advanced, by charging a 5 per cent commission for placing the loan. This left \$1,500,000 cash in the treasury of the railway corporation, as well as a controlling portion of its own capital stock. The next step was the organization by these same directors of a construction company, which built the road for an actual outlay of \$1,200,000. The railway directors now voted to pay their construction company \$1,500,000 in cash for this work, and in addition the remainder of the share capital of the road. A profit to themselves of \$300,000 plus the prospective value of the capital stock, which had cost them nothing, obviously resulted. If the enterprise were henceforth profitably operated, all well and good. If not, it might fall even to pay interest on its bonds. If bankruptcy ensued, a receiver, possibly representing the old stockholders rather than the bondholders, was appointed. In any event the promoters had realized 300 per cent on their first investment, itself borrowed, from the profits of the construction company. Moreover they still controlled the railroad through its capital stock. Thus were the foundations of a number of large fortunes laid—enough, that is to say, to envelop American railroad construction in an atmosphere of disrepute by no means generally deserved.

"JONES PAYS THE FREIGHT."

Remember that the people of the United States are the ones that have to pay every cent of revenue the railroads collect. "Jones pays the freight." "All the traffic will bear," said James J. Hill after he had "let all of Lake Michigan in."

Let us see what that kind of capitalization and organization led to. I am, as near as possible, proving my case out of the mouths of the railroads themselves, so I turn again to the Railway Age Gazette and urge my economy argument—and, I might add, a morality argument—by quoting from that journal's editorial utterance of May 29, 1914:

What are the remedies for such outrageous mismanagement as obtained on the New Haven when Mellen was its president? It is up to the financiers and railway executives of America to cooperate with public officials in finding an answer to that question. The New Haven is not the only railway that has been Mellenized, and such revelations as have been made regarding the financial management of some roads

are enough to shake public confidence in railroad management in this country. The situation is worse than that. They are enough to shake the foundations of the confidence of the people of this and of other countries in the financial management of all kinds of business concerns in America, for the men directly or indirectly responsible for the mismanagement of railroads are as largely interested and as potent in manufacturing, mining, and other industries as they are in the railroad business.

And observe further, from the same article:

The great danger is that the disclosures regarding the conduct of the Mellens and the rest of their ilk will cause the passage of more radical legislation than the conditions justify. If excessively drastic legislation shall be passed, we trust that there will be no hypocritical wailing from Wall Street about ignorant public hostility toward railroads and about the public being misled by demagogues. The buccaneers in Wall Street and the fools and cowards in Wall Street who let the buccaneers work their wills are the chief authors of such legislation. It is a toss-up whether the demagogues or the highbinders of finance are doing the more to bring all the details of business under the regulation of public officials. Eugene V. Debs, Morris Hillquit, and Upton Sinclair think that they are the real leaders of the socialistic movement in this country. They take themselves too seriously. The real leaders of socialism in this country are such men as Charles S. Mellen and the directors of the New Haven, Frisco, and other roads, who are too crooked, cowardly, indolent, or incapable to perform the duties of their positions.

That is not spoken from a soap box. That is uttered by the railroads' own darling publication. It is not owned in the sense that Mr. Slason Thompson's "Bureau of Railway News and Statistics" or the "Washington Bureau of Railway Economics" is owned. That "bureau" is the railroads, but the Railway Age Gazette is very dear to the heart of the railway world. It has an authorized capital of \$1,200,000.

THE WHOLE SYSTEM WRONG—THE MORGANS AS WRONG AS THE MELLENS.

The quotations cited tend to lay all this extravagance and the blame therefor on the Mellens and other managers. But at this point the editor of the Railway Age falls in his application of the facts. He is accepted as a good witness as to what are the facts, but when it comes to his opinion testimony we will have to go a little further, reserving the right to recall this able editor and his splendid journal from time to time as to additional facts. This New Haven case is so typical and bears so strongly on the economy feature of my argument that I am impelled to give a view of Mr. J. Pierpont Morgan and the House of Morgan as the most extravagant set of men known in the railway world from the standpoint of the public, of "Jones," if you please, who pays the freight. The Mellens are mere tools of the Wall Street looters.

Morgan & Co. admit having received \$837,608 from New Haven loans under a certain fiscal agency contract entered into on December 19, 1910, and terminated December 4, 1913, for themselves and their associates. In the Morgan letter, published in Railway Age Gazette March 13, 1914, attempt is made to apportion over a period of 20 years the income received from the New Haven by the Morgan firm, such amount being fixed by the figures presented by Mr. Morgan at \$17,500 per year.

That suggestion naturally brings to mind the question of annual outlay under this fiscal agency contract covering a period of three years. Divide the total by three and you have \$279,201.66 per year for the three years.

ENOUGH TO SALARY COL. GOETHALS FOR 55 YEARS.

This sum of \$837,605 would salary a Col. Goethals at \$15,000 per year for more than 55 years. If anyone supposes it was not a bigger job to build the Panama Canal than it would be to manage the railroads of the United States as one great system, then such a one ought to stop the leak in his think tank. The canal job was a fight in the Tropics against terrific obstacles, involving sanitation problems and calling for ability to pioneer and blaze a way without precedent. The railway machine is already on the go. Its new problems could be solved one at a time with the aid of a big machine constructed through many years.

What did Morgan and his friends do for the \$837,605 of admitted commission, which, of course, constitutes but a small part of the Wall Street speculations on the New Haven? He attached his signature to a few papers, thereby pledging the savings of the people on deposit with him and his associates. Then he wrote out a nice letter on a letterhead bearing the inscription, "We loan on character only," to the widows and fiduciary agents of orphans and incompetents, "We offer an unusually good line of securities; you are advised to buy quick." All the time Mr. Morgan had on deposit at least \$1,415,000 of the company's funds. His letter admits this amount as the average deposit for 11 years. The deposit was probably very much larger during the period of the fiscal contract.

If the Government had owned the New Haven, Mr. Morgan and all underwriting banking connections would have been as

useless as are the unemployed in an automobile plant. He would have been in the way, wanting to get the bonds and tendering a premium for them at 2½ per cent. But under the other scheme he and his friends took down nearly a million in cash, besides the velvet in securities for selling the bonds at nearer 7 per cent, and he was after a million and a half more. Uncle Sam sold his canal bonds at 2 per cent; but they say he could not sell railroad bonds. No; not after the Morgan plan, the American people would not permit it.

ECONOMY, THY NAME IS NOT MORGAN OR WALL STREET.

I say, economy demands Government ownership. Remembering that the New Haven is only one little corner—a drop in the bucket—of the railway machine in the United States, it seems further proof would be unnecessary. But what I have just set forth is nothing, comparatively speaking. I have not hinted at the speculations yet. When the storm broke over the New Haven and the widows and orphans realized they had been robbed blind by Mellen—no; by Wall Street—these same men, led by Morgan—operating on “character”—were about to take another commission twice as large as the entire grab already referred to. He had his hands on \$1,670,000. The whole crew were about to be prosecuted, when Mr. Morgan resigned, and gave out a lot of philanthropic blubber about having resigned to put an end to interlocking directors and to aid the President in establishing his “constitution of peace.”

The New Haven is very like the others as an economy argument. Ex-Gov. Folk, of Missouri, as attorney for the Interstate Commerce Commission, rendered an invaluable public service in exposing these transactions, notwithstanding the unpatriotic efforts to defeat him in his splendid work. Attorney General McReynolds was going through a pantomime, pretending to want to get at Morgan and his assistants who looted the New Haven; but Gov. Folk was holding him. “Turn me loose and I’ll get him,” said the Attorney General. All the while he was as free as the birds. In a few days the whole aggregation were closeted with the President, getting aid to the tune of about a billion dollars of extra currency at public expense, issued by emergency act of Congress on money and credits owned by the people, to pay for the stocks Wall Street had bought and did not have the money to pay for. And such was the interconnection between the Government and these financiers, that they got the money and Mr. McReynolds got the Supreme Bench, while ex-Gov. Folk got the thanks of all sincere men for his splendid work.

WHAT DID THEY DO WITH THE SEVEN BILLIONS?

While economy is under consideration let us revert to the fact, as shown by the table I have incorporated in these remarks, that the total railway capital of the railways in the United States increased in the 10-year period expiring June 30, 1912, \$7,152,546,007. What did they do with this vast sum, which is more than a third of the entire present railway capitalization? During the 10 years 33,611 miles of new lines were constructed. If the above sum was used for new mileage, the cost per mile was \$212,801.

During this time the United States Government, which the railway men say is so extravagant, built two railroads and equipped them in the Reclamation Service, one in Idaho 19 miles long and one in New Mexico 13 miles long. Both are standard gauge. The Idaho railway has for three years been in operation with daily train service, carrying mail, passengers, and freight. Both lines are in mountain country, with heavy rock cuts and bridges. On the Idaho railway the cost was \$19,937 per mile and on the New Mexico line \$21,085 per mile. There are three expensive bridges on the Idaho line. Equipment on this line cost \$35,000 additional.

If Uncle Sam can build railroads at \$20,000 per mile, why can not the “empire builders” do as well? It is a well-known fact that standard-gauge railroad can be built over the western prairies under favorable conditions as low as \$10,000 per mile. But suppose we allow for awkward empire builders and estimate their new line at \$25,000 per mile. At this rate it took \$840,275,000 to build the 33,611 miles. But that takes only a little more than 10 per cent of the original sum. Subtract this amount and there still remains \$6,512,710,006. Now, the question remains, Who got this six and a half billions?

WHO GOT THE SIX AND ONE-HALF BILLIONS?

That would buy a great many poodles and even race horses and yachts. What became of it? Economy cries out and demands information. Unborn generations as well as the present are to pay interest on this \$6,500,000,000 for all time. The public is interested directly in the matter. The empire builders simply laugh at the ignorance back of this question. “You

go along, now,” he says, “That money went for improvements.” Hold on; let us see about that. The policy has been to limit the new capital to new construction and to make improvements out of surplus and earnings.

James J. Hill made that plain in a speech on December 19, 1912, at the annual dinner of the Railway Business Association, in New York City, when he made this statement:

Our capitalization per mile is from one-half to one-fifth that of European countries, partly because the initial cost of construction was greater there, but largely because of a fixed difference in policy. The American railway makes improvements so far as possible out of earnings or surplus, leaving capital account to carry only new construction.

Does anyone maintain that Mr. Hill did not know what he was talking about? Of course not. Then it must follow that the six and one-half billions was not spent for improvements, for American railways do not do it that way. Mr. Hill says they do not. Besides this the records indicate that the railroads claim to have spent out of earnings approximately \$2,000,000,000 during those 10 years for improvements. That was over \$8,000 per mile, and it would seem that no greater sum was spent exclusive of the liberal chargings for upkeep and maintenance. Besides, this six and one-half billions is over \$26,000 per mile, and that was enough to build the whole line new, as is proven by the United States Government building difficult and expensive construction at \$20,000 per mile.

SIX AND A HALF BILLIONS GONE; NOTHING TO SHOW FOR IT—THEY TOOK BILLIONS IN DIVIDENDS BESIDES.

Another reason why it is impossible that this six and one-half billions was spent for improvements is the present deplorable condition of the lines. Because of railway insufficiency, disaster threatens the welfare of every man who engages in any gainful occupation. But let Mr. James J. Hill say it. He knows. I might put it too weak. I quote from his speech in New York City December 19, 1912:

It is no exaggeration to say that the commerce of the country, its manufacturing and agricultural industry, its prosperity as a whole, and the welfare of every man in it who engages in any gainful occupation can escape threatened disaster only by such additions to and enlargements of existing terminals at our great central markets and our principal points of export as will relieve the congestion which now paralyzes traffic when any unusual demand is made upon them. Our natural material growth will make this their chronic condition in the near future unless quick action is taken.

If you increase the size of a bottle without enlarging the neck, more time and work are required to fill and empty it. That is what has happened to the transportation business. In 1907 traffic was blocked on nearly all the principal eastern railway lines. It took months to convey an ordinary shipment of goods from one domestic market to another. The deadlock was broken partly by a panic that lessened the volume of business and partly by the efforts of railway managements to add, by increased efficiency, to the moving power of facilities at command. We neither anticipate nor desire perpetual business depression. While the limits of efficiency have not been reached, we know that it can not be made to cover the demands of our growth in population and production.

You can see that the six and one-half billions was not spent for terminals or equipment or efficiency, because “there ain’t no such animal.” As Mr. Hill says:

In 1907 traffic was blocked on nearly all the principal eastern railway lines. It took months to convey an ordinary shipment of goods from one domestic market to another. The deadlock was broken partly by a panic.

That is quoted, mind you, from Mr. Hill. It took a panic to save the railroads and move the freight. That very year—1907—the railroads issued \$1,511,725,205 of new stocks and bonds. Oh, you Empire builder, you high financier! That was \$244,461 per mile for every mile of new line constructed that year. I say economy demands that the people, through their Government, raise the necessary money and see to it that it is spent on the roads, and not to buy poodles and yachts. Mr. Hill says from five to seven billions additional will be required. “Rates and capital must go higher, stocks and bonds must more nearly approach the European level,” he says.

TREASURIES EMPTY—RECEIVERSHIPS, 754; FORECLOSURES, 994; BILLIONS GONE, 6½+.

Another reason why I am convinced that these tremendous stock and bond flotations—this six and one-half and other billions—did not go into the properties either in the form of improvements or newly added lines is the record of financial failures the railroads have shown. The Statistical Abstract gotten out by the Bureau of Domestic Commerce of the Federal Government, page 285, shows that since 1874, 754 railroad companies, with an aggregate mileage of 145,176 miles and a capitalization of \$8,262,453,699, have gone through the hands of the judiciary under receiverships, and that during the same period 994 companies of 121,026 mileage and \$7,392,978,502 capitaliza-

tion have been sold by the courts under the hammer in foreclosure proceedings.

UNCLE SAM HAS BEEN SOME RAILROAD MAN AFTER ALL.

Approximately two billions of these receiverships occurred while the mysterious handling of this six and one-half and other billions took place—that is, in the last 10 years—and to-day 23,000 miles of the Rock Island is in trouble—worse trouble, beyond all comparison, than exists or ever has existed in the Government-owned roads of France or elsewhere, I might remark in passing. Then there is the Kansas City, Mexico & Orient, the Atlantic, Birmingham & Atlantic, and the Moffat road in Colorado, all in the same wrecked condition. Prof. Ripley, of Harvard, commenting on these last-named roads, says in the *Railway Age Gazette*, August 28, 1914:

Their troubles are somewhat peculiar and are, in the main, due to local circumstances; for most of them represent invasion of territories in which the great banking and railroad interests are already entrenched. Undoubtedly the hostility of the great powers to these independent companies has been an appreciable factor contributing to their downfall.

Note the words "the great powers" and "the great banking and railroad interests." Here you have a fundamental argument for public ownership. Not only an economy argument, but a moral argument, and a democracy as well. The New Haven and other lines might be added to the list and, according to the representations recently made in the effort to get the 5 per cent rate increase from the Interstate Commerce Commission, they are practically all broke or they will be. James J. Hill in the speech above quoted referred to impending ruin if rates were not raised, and added:

That ruin will not be so immediate or complete for the railroads themselves as it will be for the business interests to which they will no longer be able to give a prompt and adequate service. It will be far-reaching, because its effect will touch every man, however humble, who is engaged in protective industry.

Do not forget the point; I am talking economy, and asking what became of the six and one-half billion dollars of stocks and bonds above any sum that could have been spent on new lines. It appears that the vast sum was not spent in such a way as to prevent deficits, receiverships, foreclosures, and shortages—preventing improvements.

GOVERNMENT OWNERSHIP WOULD GIVE LOWER RATES.

Economy demands careful and honest rate making. It is not the men who ride upon the train or the merchants or the manufacturers alone who pay the transportation tax. Every individual pays a part of the tax whenever he eats a meal of victuals or buys a hat or a paper of pins. The transportation tax is parceled out almost on a per capita basis to everyone. The transportation tax is truly collected "at the source," the usual method being for the merchant to add 10 per cent for freight to every article as part of cost price before he offers it for sale.

The rate-making system of the railroads, instead of being a model arrangement where economy and impartiality prevails, as the defender of the special privilege of the railroad would have us believe, is the most gigantic travesty upon common sense or system in the world. Mr. Stickney, former president of the Chicago Great Western—an able railway president on the stand, remember—said in 1910 that there are 86,000,000,000—eighty-six billions; do you get that?—different rates in existence, and that these railroad tax collectors are changing these rates every minute in every working day.

If published—

Mr. Stickney says—

these rates would fill a bookshelf 1,530 feet long with books 8 by 10 inches in size. They would make 4,000 printed volumes of 1,000 pages each, an aggregate of 4,000,000 pages. (*World's Work*, November, 1910.)

With this conglomeration the railroads have been able to cover up the most glaring extravagance and favoritism, involving rebates and special privileges given to their particular friends. As tax gatherers they have used this transportation tax to develop certain sections at the expense of other sections. High-protection men would build a tariff wall to protect an "infant industry." Factories would grow up in various sections of the country in a dozen or more cities. In time in one of these cities, where the "right people" lived, the railroad transportation tax collectors would grant a special low commodity rate, and in a short time the other cities would find themselves short of orders, and the place that had the special rates would outstrip all other sections and become established as the great center for that particular product. Later I will take up the rate proposition more in detail and comparison. I

refer to the general system now only to demonstrate that economy demands a change.

GOVERNMENT-OWNED LINES OF GERMANY ARE NOT BROKE.

But please compare the present policy in America with that which prevails in Germany. Prof. Lotz, cited by the *Railway Age Gazette* as a most reliable German authority, says Germany is charging too much. The railway system is a "Government milch cow," is the figure used, by which the German Government collects \$200,000,000 clear profit, which sum goes into the public treasury each year, and three billions of value has been amortized for the public. Compare that situation with the deplorable condition the American roads are in. Prof. Lotz says German roads are "double, triple, and quadruple tracked," equipped up to the minute for military emergency as well as for commercial needs, but our poor, broken-down, failing, trust-tied, receiver-ridden, Mellenized, Morganated lines need from five to seven billion dollars, according to Mr. Hill, to put the roads in shape. They do need a tremendous sum to make up for the work of the looters, but who would get the money if they were permitted to sell the securities? You can hear them always calling for "More revenue," "More revenue." My mother used to tell us children a frog story along about time for the sandman's coming that ran like this:

"There was once an old toper who sat down to rest beside a stream in a lonely glen. A bullfrog observing a jug at the old man's side began to call out, 'More rum,' 'More rum.' The old fellow was good-natured, so he went to the brink of the stream where he heard the sound and poured overboard a little rum from his well-filled jug, and he returned to his rest. Presently the same voice was heard again calling, 'More rum,' 'More rum,' 'More rum.'"

"The old man was a good-hearted son of old Erin, and so he responded time and again till the jug was about empty. The greedy frog increased its demand and set up a cry of 'Jug-an-all,' 'Jug-an-all,' 'Jug-an-all.'"

"The old man saw he had yielded unjustly, but without feeling any pain of sacrifice whatever he heaved overboard the jug and all."

So we have the railroads calling for "More revenue," "More revenue."

It cost \$12,000 to publish in the CONGRESSIONAL RECORD copies of the letters and communications sent to the Interstate Commerce Commission to try and intimidate that body into granting the rate increase recently.

Senator LA FOLLETTE, efficient, earnest, faithful, as he has always been, had the commission hand over to the Senate these myriads of communications. It took 50 men running a half million dollars' worth of linotype machines all day long to set the type, which amounted to nearly a ton of metal when ready for the cast. Think of the lawyers' fees, the salaries of secretaries and stenographers in railroad offices and chambers of commerce required to prepare those communications.

The demands of the private owners for "more revenue" will not end as long as human avarice and the "itching palm" exists. The time has arrived to call a halt and for the American people to no longer play the part of the silly and stupid old rummy. Transportation is a public function, and the time has come for the public to take the railroads, ownership and all.

GOVERNMENT ECONOMY AND LOW RATES DEMANDED.

In India you can ride at two-fifths of a cent a mile. In Switzerland you can ride half a month for \$8.60 over all the steam, electric, and steamboat lines of Switzerland, or you can ride a whole year at a cost of 20 cents per day.

The following data is taken from Martin Johnson's book on Government ownership:

The public system of Belgium will carry you one-half a month for about \$4.50; so also the public system of Hungary will carry you at \$2.70, which is one-tenth of the charge here. The public system of Italy will carry you 963 miles for \$7; the public system of Sweden 1,400 miles for \$8.55; and that of Russia about 2,000 miles for \$6. The Belgium system, furthermore, grants weekly tickets to workmen, good for 6 round trips or 12 rides, for distances and at rates as follows:

Three miles, 19 cents; 6 miles, 24 cents; 12 miles, 29 cents; 24 miles, 39 cents; 31 miles, 43 cents; 62 miles, 61 cents.

It will thus be seen that the Belgian laboring man can go to his work, 62 miles distant, or return for 5 cents, or a rate less than one-twelfth of a cent a mile.

These rates of travel promote the mobility of labor by enabling a man to go from his suburban place to the shops to work and in many other ways.

Prof. Frank Parsons says:

After studying Government freight rates on the ground and comparing them with American rates for similar distances and shipments, I found that the German per ton-mile rates on local traffic are generally less than one-third of ours.

Local rates in Germany and America compared.

Items.	Miles.	Average rate per ton-mile.	
		Amer- ican rail- ways.	German railways.
Iron ore.....	327	0.492	0.474
Structural steel.....	398	.73	.45
Cast-iron fittings.....	377	.69	1.28
Structural steel.....	63	2.22	1.17
Fertilizer.....	18	5.28	1.56
	36	3.33	1.20
	40	2.75	1.14
	22	4.55	2.75
Raw cotton.....	44	3.18	2.16
	39	3.08	2.24
	65	2.15	1.16
Portland cement.....	69	1.96	1.13
	42	3.81	1.39
Hay.....	98	2.45	1.04
	34	3.53	1.21
Potatoes.....	94	2.98	.92
	38	4.21	1.50
	39	3.59	1.50
Linseed oil.....	43	3.72	1.46
	78	2.05	1.34
	20	18.40	5.18
	70	5.94	4.26
Milk.....	31	9.68	4.81
	65	7.69	4.20

Is it not necessary to call a magician, a soothsayer, a wise man, to explain why the first four articles above fare so well on the trust-owned railroads of the United States?

AMERICAN RATES HIGHER THAN GERMAN.

They tell us American rates are lower than German rates. The facts prove the contrary. It is evidently unfair to compare German rates within the comparatively small area of Germany with rates in the United States at large, which contains an area so many times greater than Germany. By making a general average in which is included transcontinental hauls of trainload after trainload of lumber and coal and other commodities from one ocean to the other with the rate in Germany on small packages and large over the lesser area and the shorter haul, a lower rate per ton-mile apparently may be "figured" in this country by a good figurer, but in this discussion, in such imposing presence as is here assembled, it would be an insult to make any such comparison.

Railroad rates in the United States will not stand up under a fair comparison with German rates. It is conceded by all that the loading and unloading charges are the principal expense in freight transportation.

In Germany the average haul is 70.7 miles; in the United States the average haul is 244.05 miles. There is much more to be said for German rates as against American rates.

In Germany express is carried as regular freight. This is handled, of course, quite often and involves short local deliveries. Think of comparing the average rate per ton-mile on a carload of express packages hauled 100 miles and delivered at points along the line with a trainload of wheat or coal or lumber hauled 3,000 or more miles. In America we haul much more raw materials and mining products than in Germany, where more manufactured articles are hauled.

RATE COMPARISONS IN ENGLAND AND GERMANY.

England and Germany are similarly situated, and a comparison of rates in those two countries would be a test of private ownership and Government ownership under like conditions. The following comparisons are to the point:

It costs \$5.72 to transport a ton of hardware from Birmingham to London, while the rate for the same class of goods over the same distance in Germany is about \$2.25. Cotton goods, from Manchester to London, cost per ton \$8.76; in Germany, the same distance, \$4.86 to \$5.60. General machinery, from Leeds to Hull, costs \$6.09; in Germany, over precisely the same distance, \$1.09 per ton.

SOME POSSIBLE SAVINGS ENUMERATED.

There are many other savings that would be made in addition to the savings on dividends and interest, which I will discuss later. Slason Thompson says in the New York Herald, August 30, 1908, that Government and State regulation cost the railroads \$20,000,000 annually. I think that is a very conservative estimate for all the attorneys' fees and other expenses of the railroads in this line. No doubt the expense to the National Government and the 48 States is another \$20,000,000. Here is \$40,000,000 that could be saved to the public by Government ownership. The court expenses and receiverships, with all the fees and costs attached, when allowance is made for the judges'

salaries, the witness fees and jury fees, lawyers' fees and all other expenses, I have no doubt, amount to another \$20,000,000; so here we have \$60,000,000 that the Government would save at the start.

In every city and town the several railways keep offices, with expensive appointments and clerks and stationery. Agents are kept in the field to solicit passengers and freight. Advertisements of all kinds are used. If the Government owned the railroads all these duplications would be cut out. Tremendous rent charges in the cities and towns would be saved, salaries of presidents would be eliminated. Freight cars would be at home wherever they were found, always ready for a load in any direction. They would not have to be sent back home. With a big "U. S." they would always be at home. Harriman always claimed that concentration would effect great savings along these lines. The Government pays a tremendous sum to the railroads for carrying the mail and other Government freight, and for carrying Government officers on official business and men of the Army and Navy. The profit on all this traffic would be saved. All these items would surely reach \$40,000,000, and raise the total savings from these incidental items to \$100,000,000 per year.

SAVINGS ON INTEREST AND DIVIDENDS.

All interest, dividends, surplus, and profits of every kind now realized, except the interest the Government would pay on the actual cash paid for the railroads on their funded debt, would be velvet for the Government. It seems to be generally conceded that \$16,000,000,000 will cover the value of the roads and that the sum the Government would have to pay would not exceed that amount.

The Government could doubtless fund this sum in Government bonds at not over 3 per cent, or at \$480,000,000 per annum for interest. In 1912 the total net revenue of the railroads was \$871,005,294. The saving here would accordingly be \$391,005,294. It should be remembered that we probably could not refund by ordinary methods all the bonds at once, some not being due, and all of this saving on interest could not be realized till all the bonds were refunded. But there would be many ways to bring the bondholders to time.

Another source of saving would be the increase in value of the real properties of the railroads, the coal lands, the oil lands, the terminals. That would surely amount to 2 per cent on the value of the roads, or \$320,000,000 per year. In other words, the railroads, their upkeep being already fully allowed for, will double in value, reach \$320,000,000, through unearned increment in 50 years. This is not an unreasonable estimate, considering the natural increase in population and in commerce in 50 years. German roads have more than doubled in value in less time.

Scientific management, according to so eminent an authority as Louis D. Brandeis—I will cite him presently—would save the railroads \$365,000,000 a year, or one million a day. Depending on this feature, forgetting the melons that no longer would be cut, forgetting the commissions that never again would be paid to the Morgans and the great banking interests, forgetting the rebates that would be saved, and many other savings that might be mentioned, and we yet have to our credit over a billion dollars a year, as follows:

Miscellaneous.....	\$100,000,000
Interest and dividends.....	391,005,294
Scientific management.....	365,000,000
Increase through unearned increment.....	320,000,000
Total.....	1,176,005,294

From this you can deduct 10 per cent for safe figuring and still have more than a billion a year, or practically \$3,000,000 a day, of savings, or two million a day, exclusive of the unearned increment.

EFFICIENCY DEMANDS GOVERNMENT OWNERSHIP.

I have assigned efficiency of railroad service and management as a ground for Government ownership. Efficiency is involved in all I have heretofore said. There can be no efficient operation that is immoral. The widespread immorality in railway management is known to every child that is able to lip the words "New Haven, Rock Island, Frisco, Pere Marquette, Southern Pacific." There have been investigations, prosecutions, and exposures without number.

I can not at this time go into the question of safety and dispatch, which is involved in efficiency, but I am sure that the administration of the post-office system shows that the Government will promote safety and dispatch to the highest degree possible. The great bulk of governmental activities are such that financial return, the balancing of expense against income, does not have to be considered. There is often criticism of the financing in those departments. But in every case where this

financial problem enters the Government always gives a good account of itself. The critics against the postal operation are growing fewer and fewer every year.

Three years ago Louis Brandeis (already referred to), opposing an increase of rates which was demanded by the railroads with an urgency most remarkable, advised the railroads that huge economies could be attained through scientific management that would save at least "\$1,000,000 per day." In the conclusion of his brief in opposition to the granting of the demand for increase in rates Mr. Brandeis said:

This investigation has developed clearly that the railroads, to meet any existing needs, should look not without but within. If their net income is insufficient, the proper remedy is not higher rates, resulting in higher costs and lessened business, but scientific management, resulting in lower costs, higher wages, and increased business. If their credit is impaired, the proper remedy is not to apply the delusive stimulant of higher rates, but to strengthen their organizations by introducing advanced methods and eliminating questionable practices. Thus they will maintain credit by deserving it.

I have already shown that there were many receiverships during all this period, and the railroads presented an awful story in order to get this increase. But all the railroads were not suffering. Some roads were prospering while others languished. There was not uniform efficiency; hence there was uniform inefficiency, for the lines must be considered as a system. The fact that the Pennsylvania carried an item of freight from New York to Chicago with absolute efficiency does not make efficient service if the item of freight originated at Boston and was not properly handled before it got to New York. The very fact that some roads are piling up such tremendous profits while others languish speaks most emphatically for inefficiency.

The rate increase in which Mr. Brandeis was first engaged was refused, but within a few months Sir George Paish, of the London Statist, a very eminent English authority on financial matters, expressed his views as follows, to Englishmen, who own about \$4,000,000,000 of American railway securities:

The securities of American railways appear to be specially attractive at current prices and were it not for the situations in the Balkans, and the heavy sales of stock that have been effected in consequence, much higher prices than those now current would prevail.

Yet American railway men a few months before were claiming their rates were too low to permit sufficient revenue and make their securities go on the market.

Further in the same article Sir George Paish says:

From whatever point of view, therefore, the matter is regarded, stocks at current prices are attractive. * * * It will be seen from the statement herewith that, apart from any additional expansion, the Great Northern is earning a dividend of 11.6 per cent at the present time, and it is distributing only 7 per cent; that the Northern Pacific is paying 7 per cent on a very large ordinary capital; that the Union Pacific is earning 15 per cent and is paying 10 per cent; and that the Atchison and Southern Pacific are earning 9 per cent and distributing 6 per cent. * * * Indeed, we could go through the greater part of the securities of the railways of the United States and show the attractiveness of both bonds and stocks.

And in the Statist for March 1, 1914, only a few weeks later, Sir George says:

The earnings of American railways continue to show large expansion. * * * In fact, all the indications continue to show that the profit in American railways in the current year to June 30 will be very large, and that no one need have any doubts as to the ability of the companies to maintain their current rates of distribution.

To be sure these views do not gibe with the dolorous records of receiverships and foreclosures any more than they do with the awful representations made of impending disaster when increased rates were wanted. But, aside from the fakery practiced, the whole situation tells of inefficiency, because the transportation problem is one problem for the whole country. Inefficiency in New England and Colorado and Texas cause the public to suffer. The Postal Service is the same everywhere, and so ought the transportation service to be uniform. It is absurd to call it efficient with one end of the line in the hands of a receiver or being sold under the hammer and the other end paying 15 per cent on "all of Lake Michigan." The toll of profits, the transportation tax, is not uniform. One section has to pay more than the other and every section suffers from inefficient service.

Some must do without service entirely, as is shown by the following instance of inefficient management and investment given Engineering News, November 5, 1914:

A railway 90 miles long in western New York was to be abandoned on November 1, according to an order issued by the New York Supreme Court, which has directed the receiver of the property to cease all operation of trains and take up the track. The railway in question is that part of the Buffalo & Susquehanna Railway extending from near Buffalo to Wellsville. The company owning the road has been in the hands of a receiver for over four years. The court's action in ordering the discontinuance of operation of the road and the taking up of the track was made on petition of the United States Trust Co. of New York, the trustee for the bondholders of the company.

The facts appear to be that the road in question is the least profitable part of the Buffalo & Susquehanna line to operate. Lines located farther south in Pennsylvania do an extensive coal business, but the

difficult grades to the north make it cheaper to send the coal to lake ports over other roads than to haul it over the Buffalo & Susquehanna line from Wellsville. Undoubtedly the bondholders have the right to stop operating an unprofitable property and to get what little salvage they can out of it by taking up the rails. This salvage will be small, however, for under present market conditions relaying rails are salable only at a very low price.

The abandonment of the road will be a serious matter to the farming communities along it, which depend upon it for transportation. The roadbed and tracks are in good condition, and represent an investment that could not be replaced, probably, short of \$2,000,000.

Imagine how Mr. Slason Thompson would interview himself in a leaflet from his "Bureau of railway news and economics" if he had noted an incident of this kind in some Government-owned country. "A State railroad on the rocks," he would say, yet he could get the records of over 900 foreclosures in the United States alone under private ownership.

The article above quoted, which is perfectly reliable, gives the value of the road, which consists of 90 miles, at about \$2,000,000, or \$22,222 per mile. This company was capitalized at \$10,000,000, and had a funded debt of \$7,059,000. Stocks and bonds to value of road was nearly 10 to 1. Get the conductor to "put you off at Buffalo" and you can go out and see this. It is not in New South Wales or Borneo; it is in New York.

ENGLAND A WARNING AGAINST PRIVATE OWNERSHIP.

It may be profitable to consult the experience of other nations whose railways are privately owned. The only leading nations where private ownership prevails and Government ownership is not accepted as a national policy are the United States and England. Spain and Turkey come next, if you would call them "leading." I have already cited the United States to prove the general proposition that private ownership leads to extravagance and public ownership to economy and efficiency, and have shown by the excessive aggregate English capitalization where we are going to land.

When an empire builder wants to brag about what American private lines have done, he generally refers to the high capitalization of England. James J. Hill, in his New York speech, December 19, 1912, placed the capitalization of the lines of the United Kingdom at \$275,000 per mile and in England alone at \$314,000 per mile. Here you have a sample of what private ownership will do if given license. I have already shown that American roads increased their capitalization over \$7,000,000,000 in 10 years. With the surplus laid aside and the betterments they claim to have made out of earnings during this 10 years you have nearly a billion of increase per year. How long will it take us to reach England's capitalization?

Mr. Slason Thompson, of his railway bureau, issued a statement on October 4, 1908, which he called Leaflet No. 2, to show the utter futility of Government ownership. Comparing the American railway shipping with that on the State-owned lines of New South Wales, Australia, he said:

If American shippers, in 1907, had paid the Australian rates on the freight carried, their total payment to the railways would have been \$5,678,433,362, instead of \$1,823,651,998 they actually paid; where they have been credited with nearly \$4,000,000,000 in the ledgers or the good will of American shippers.

Of course it would be just as reasonable to compare taxicab rates with street car rates as to compare the sparsely settled island Commonwealth of Australia with the great American Republic. But the comparison is useful, for 12 days later Mr. Thompson, who is doing this work for the railway companies, issued Leaflet No. 3. In this he compared England and the United States, and told the public what the American people would have to pay at English rates. He said:

Applying the British rate of 2.34 cents to the freight carried by American railways in 1907 would have cost American shippers \$5,536,472,527, which is \$3,712,820,618 more than they did pay—or within \$300,000,000 of \$4,000,000,000.

So, according to the railways' bureau, run by the railways' representative, Mr. Thompson, if American shippers paid Australian rates they would lose approximately \$4,000,000,000, or if they paid British rates they would lose approximately \$4,000,000,000. The United States is all right in that comparison, but what becomes of England, with a population of 34,488,233, to 1,646,734 in New South Wales—the particular Australian State in question—over twenty times the population, yet an area in England of 58,575 square miles to 309,460 in New South Wales. The density of the population in England is 588 to the square mile, in New South Wales 5. About 100 to 1, yet New South Wales, under State-owned lines, has just as low rates as England under private ownership. The States of the Commonwealth of Australia are unfortunate in not having uniform gauge of railway between the several States, much to their detriment. But any arrangement under Government ownership can cope with private ownership in its native heath

and fully perfected as in England. Certainly England has had time and opportunity to perfect her system.

Mr. Slason Thompson made a comparison of interest which I will quote here which compares Government ownership with private ownership in Europe as to the proportion of earnings paid to labor. He compares these figures with certain American figures which I will not add. He made the comparison on December 17, 1908, in a paper before Friendship Club at Oak Park, Ill., referring to 1907 records as follows:

England devoted to earnings 37 per cent of income and to labor 27 per cent.

Germany devoted to earnings 35 per cent of income and to labor 34 per cent.

France devoted to earnings 40 per cent of income and to labor 31 per cent.

These figures show private ownership of England lowest in proportion of income devoted to labor.

ENGLISH FINANCIERS AND RAILROAD MEN ASHAMED OF THEIR SYSTEM.

Let us get the full truth about private ownership of railroads in England from those who know. Every student of financial and commercial subjects knows Sir George Paish, editor of the *London Statist*. I am going to quote from "an authorized report"—perfectly English, don't you know—by Lord Claud Hamilton, chairman of the Great Eastern Railway, to his executive board, published in the *London Statist* on February 21, 1914; and for fear some one will think this a phoney statement or some wild-west ebullition—such, for instance, as Mr. James J. Hill made when he told how all the American privately owned railroads are about to go broke and bring calamity on the country and on every individual engaged in industry, "inevitable unless you raise rates so we can get several necessary billions"—I am going to let Sir George Paish introduce Lord Claud Hamilton, chairman of the railway board, and editorialize his "authorized statement." I quote from a leading editorial by Sir George Paish, in the *Statist* of February 21, 1914, entitled "Railway management: Science versus rule of thumb":

The country owes a deep debt of gratitude to Lord Claud Hamilton and to the board of the Great Eastern Railway for having at length discovered the grave situation of our railway industry and in having manfully and honestly disclosed to everyone the real state of affairs. The disclosures of the chairman of the Great Eastern Railway are the more important because hitherto Lord Claud Hamilton has been one of the pillars of the old edifice, has imagined that the management of the British railways was beyond criticism, and that what British railway managers did not know was not worth knowing. We are convinced that no one deprecates the necessity for his statements more than Lord Claud Hamilton himself, an Englishman of Englishmen.

No one regrets the necessity for the speech of the chairman of the Great Eastern more than the editor of this journal. In almost every direction England takes either the premier position or is a good second.

But the business of railway transportation, where everything was favorable to us and where we ought to have held the lead and set an example to all the world, is still conducted upon principles very similar to those upon which our great-grandfathers carried on the business of transportation in mail coaches and in carriers' carts.

Lord Claud Hamilton has truly described what has been going on in an interview this week: "My company has endeavored, by arranging for their staff to attend lectures at the London School of Economics, to give them some training, but it did not appear to have led to any result." How could Lord Claud expect results? The lecturer can not lecture without material, and scientific material about British railways is neither compiled nor permitted to be compiled, except by the Northeastern Railway, and only a very small amount of the Northeastern data are published.

I might break in at this point to call attention to the fact that it was the Government of the United States, not the American railway managers, that forced the collection of data and scientific material in the United States.

Sir George Paish continues:

Surely when a chairman of the importance of Lord Claud Hamilton makes a statement such as the following the errors from which our railways have suffered and are still suffering will now be remedied:

"It is a subject of great regret to my mind and to the minds of all chairmen that on our English railway systems at the present time there is an acknowledged dearth of first-class men coming to the front capable of fulfilling the duties of general managers. But this does not apply merely to the office of general manager. There is dearth of first-rate men coming to the front for even our minor appointments."

Sir George continues to quote from Lord Claud:

I believe the system in vogue at the present time on all our railways has outgrown its usefulness. Our railway systems are divided into what I may call water-tight compartments. You have the traffic department, the goods department, the engineer's department, and other departments, and they are kept so apart that as a rule there is very little exchange from one to the other on the part of young men who form the majority of the clerks belonging to those departments.

Sir George concludes the write up:

We have dealt with it (Lord Claud's statement) in the manner that we have because we realize that the unscientific working of British railways was a very serious matter. * * * because it entails heavy and unnecessary burdens of expense for railway transportation, which the country ought not to be called upon to bear, a burden that

falls with great weight upon the shoulders of the vast number of men employed in the railway industry at low rates of wages, as well as upon traders and passengers. Our unscientific railway methods have already caused the country unnecessarily to expend hundreds of millions of pounds of capital which otherwise would have been available for increasing the income and wealth of the nation and thereby contribute to the well-being of every citizen.

The upshot of this whole affair was that Lord Claud announced to his board that he had hired an American railway manager to come over and take charge of the road. But that will not remedy the situation. The American manager will find his hands tied—and then the things already full of water—might as well send for the hose to cure dropsy.

NATIONALIZATION IS THE PROPOSED REMEDY IN ENGLAND.

There is only one remedy. That is for the public to take over and own the agencies of transportation. It will come in England either by revolution and confiscation or by a square bargain. In England it is admitted that public sentiment is strongly in favor of Government ownership, and a royal commission has been appointed to study the matter. In commenting on the situation in England, the *Railway Age Gazette* of December 5, 1913, says:

The growing interest in the subject of railway nationalization is strikingly illustrated by the recent appointment in Great Britain of a royal commission to inquire into the relationship between the railway companies and the State in respect of matters other than safety of working and conditions of employment, and to report what changes, if any, in that relationship are desirable. The announcement comes almost simultaneously with that of the National Civic Federation in this country of its intention to undertake a national survey of social progress which will include a study of the question whether regulation of railways and other public-service corporations is a failure and whether State ownership should be substituted for that of private capital.

Mr. E. M. Ackworth, the most conservative railroad authority in England, made a statement recently to the effect that 9 out of every 10 people in Great Britain would vote for public ownership if the question were submitted to a vote.

The Nation, one of the most reliable English journals, on October 11, 1913, had an article on "The coming nationalization of railways." The article referred to the movement as one which is "rapidly advancing." Further the following language is used:

When we find such a champion as Mr. W. M. Ackworth predicting the probability of nationalization we know what to think. Indeed, any far-reaching business man with a large holding of railway capital can hardly fail to perceive that he stands to gain by a favorable deal in the near future with the State.

I have already compared rates in England and Germany and showed the advantages that exist in favor of Germany.

SPAIN SUBSIDIZES PRIVATE LINES.

Spain is recognized as a private-ownership country. Every year the people go into their pockets for taxes to the railroads. Under public ownership such taxes would be heralded by the paid publicists of the American railroads as deficits. The roads would be called failing lines, Spain levied and laid aside for railroad aid in 1908, 10,000,000 pesetas—about \$2,000,000—and in 1912 this sum was increased to \$3,000,000. It is said, however, that the actual liability of the Government under its guaranties in respect to its concessions granted up to January 1, 1912, amounted to \$600,000, the remainder of the sum still being held as a surplus to guarantee private railroad interest. The service is wretchedly poor, and rates are high for the service rendered. The lines are maintained at a different gauge to the French roads. Great inconvenience is experienced and great economic losses sustained. The remedy there is the same as elsewhere. Last March the following press notice was sent out, which tells of the awakening of Spain to the necessity of nationalization:

MADRID, March 17.

The ministry of commerce has ordered plans drawn for a standard gauge railroad with double track from the French frontier to Madrid to insure direct and rapid communication between the Spanish capital and the north.

It is calculated that the time occupied by the journey can be reduced from 13 hours to 7, and the journey from Paris to Madrid, which now takes 27½ hours by the fastest train, it is hoped will be reduced to 20 hours. The new road will also do away with the inconvenience of changing cars at the frontier.

GOVERNMENT OWNERSHIP BEING UNIVERSALLY ADOPTED.

Many do not realize that Government ownership of railroads has been accepted by the verdict of practically all the civilized nations of the world as essential. The soundness of the principle that railway transportation, just as the postal service, is a Government function has been generally recognized. Only four important nations refuse to recognize the principle. These are England, Spain, Turkey, and the United States.

Without question public ownership is inevitable, and, for many reasons, the quicker it comes the better. Like the offerings of the sibylline woman to Tarquin, the Roman Emperor, the price is ever increased while the value and volume of the

offering diminishes. The Government has already advanced far toward public ownership. The railroads recognize this fact. It is the universal claim of the railroads that unless the lines of regulation are relaxed Government ownership will come, and the representatives of the people say to the railroads that unless they reform and submit to regulation cheerfully the people will take the roads.

The Railway World, though strongly opposed to Government ownership, in March, 1909, said:

Government ownership is the inevitable consequence of the present system of regulation.

The late President Finley, of the Southern Railway, said in 1909:

I do not believe that the sentiment of a majority of our people is in favor of Government ownership, nor do I believe that Congress and our State legislatures are consciously moving in that direction; but I do believe that if some of the more extreme legislation already enacted is supplemented along the lines now proposed the immediate result must be the breaking down of the system of private ownership.

Surely there has been no let-up, and plenty of supplemental legislation has been enacted. There is no disposition to retreat. The Interstate Commerce Commission assumes new and far-reaching power in the recent rate decision.

Prof. Hadley, president of Yale, a firm believer in private ownership, sums up the situation in his work on Railway and Transportation as follows:

There is a strong popular feeling, to a large extent unsuspected by those in authority, in favor of Government ownership of railways as a system. No one can have much to do with the more thoughtful laboring man without finding out how strong the feeling is and what hopes are based upon it. The fact that the question is not under discussion must not blind us to the fact that forces are at work which may prove all but revolutionary when the question does come under discussion.

Only a few months ago Chairman Thorne, of the Iowa State Railroad Commission, declared for Government ownership of railroads, and expressed the opinion that Government ownership would lessen transportation taxes at least \$400,000,000.

The Railway Age Gazette, very partisan in favor of private ownership, and an advocate of the railroads from every standpoint, in its issue of December 12, 1913, recognized that the question of Government ownership is now a burning question before the American people and urges the railroads to meet the question with the best arguments that can be presented.

PRESIDENT WILSON FOR GOVERNMENT OWNERSHIP IN ALASKA.

What does President Wilson mean in his recent message, when he says:

A duty faces us with regard to Alaska which seems to me very pressing and very imperative; perhaps I should say a double duty, for it concerns both the political and the material development of the Territory. The people of Alaska should be given the full Territorial form of government, and Alaska, as a storehouse, should be unlocked. One key to it is a system of railways. These the Government should itself build and administer, and the ports and terminals it should itself control in the interest of all who wish to use them for the service and development of the country and its people.

There is no argument for Government ownership and operation of railroads in Alaska that does not obtain everywhere else in America. Private ownership is just as logical or illogical there as anywhere else.

Under date of June 8, 1914, the following news item was published from London:

Probably the most important and significant—certainly the most comparative and frank—statement yet made by a United States railway magnate was given out to-night by Newman Erb, president of the Minneapolis & St. Louis, Denver & Salt Lake, Ann Arbor, and Tennessee, Alabama & Georgia Railroads. Mr. Erb for the past 30 years has been prominent in the railway enterprise of the United States. The fact that he is in close touch with President Wilson and intimate friend of former President Roosevelt and a frequent witness at sessions of the Interstate Commerce Commission lends added interest to the statement: "Nationalization (Government ownership) of railways in the United States is inevitable. The prime troubles of the railways as at present constituted is the fact that the actual owners no longer control them, but are forced to bow to the dictates of the great banks upon which they are dependent. What I am going to say I already have told President Wilson. And when I addressed the President I spoke for, and now speak for, virtually every practical railroad man in the United States; that is to say for every man interested in the ownership of railroads. The nationalization of railroads is as sure now as taxes."

A still better argument for Government ownership than the fact that it is coming is that it already has come. Only minor and unimportant countries hold out firmly and rigidly against it.

The Government can operate these enterprises successfully. The Panama steamships, after allowing the ordinary amount for depreciation, charging to profit and loss the value of one of the vessels which was wrecked, still made an ample return on the capital invested, after reducing the rates practically 50 per cent and hauling cargo after cargo of Government freight and passengers without any profit whatever. The Panama Railroad is making a splendid success, as the Government reports will show.

The Reclamation Service is a marvelous success, and has increased the national wealth in large sums by turning barren

wastes into cultivable lands. The Government operates a coal mine about three-fourths of a mile north of Williston, N. Dak., to supply fuel for the reclamation power house.

The main entry to the mine is about 2,000 feet in length, 6 feet wide, and 6 feet high. The underground workings are at an average depth of 100 feet. Ventilating shafts secure good air. Perfect drainage is maintained, and the mine is kept dry for the workmen.

ONE OF THE BEST ARRANGED MINES IN THE STATE.

The State mine inspector inspects the mine regularly, and in a recent report says:

This is one of the best arranged mines in the State and is kept in safe condition.

The average output is 100 tons per day. About 12 to 15 miners are employed and paid 60 cents to 80 cents per ton, depending upon location. The average output of a miner is 6 to 10 tons per day. On December 31, 1913, the report showed that 34,365 tons had been mined.

The net average earnings after expense for explosives and supplies is deducted are \$3.50 to \$5 per day of eight hours. Laborers on track work, hauling, and so forth, are paid \$2.75 per day for surface and \$3 per day for underground work. Miners are furnished with permissible explosives at a slight advance above cost. A mess is maintained at the mine where meals can be obtained for 25 cents. Sleeping quarters are furnished free. A bathroom with individual lockers gives the men an opportunity of using hot and cold shower baths. During the six years that this mine has been operated no fatal accidents have occurred, and only two or three serious ones. One miner had his leg broken by the fall of coal immediately after a blast. His net earnings were \$4.72 per day, and he was paid this amount under the compensation act of May 30, 1908, during the period of disability.

The mine was opened in 1908, and up to 1913 was operated only during the irrigation season of about five months in each year. The average amount of coal mined has been about 5,000 tons per year, and on June 30, 1913, a total of 30,000 tons had been mined at a cost of \$1.78 per ton, including all maintenance costs. In future, due to the fact that electric current is being supplied to the city of Williston under contract, the mine will be operated continuously, and it is expected that about 10,000 tons of coal will be mined per year and that the cost will be reduced, as it will not be necessary to maintain the mine idle for seven or eight months of the year. In 1911, during the five months that the mine was in operation, the cost of mining coal was \$1.41 per ton, with a minimum charge of \$1.31 in July.

If we adopt the lessons of the Panama Railroad and its steamships, and the Alaska Railroad, and the Government railroad at Arrow Rock Dam, in North Dakota, in the Reclamation Service, all owned by the Government; and if we catch the facts about the ship-purchase bill, now pending, and, it is hoped, soon will be enacted into law, we must conclude that the policy of Government ownership of railroads soon will become an established policy of the United States of America.

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. Igoe having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed joint resolution of the following title, in which the concurrence of the House of Representatives was requested:

S. J. Res. 210. Joint resolution to authorize the President to invite certain Governments to send delegates to the Pan American Medical Congress.

The message also announced that the President had approved and signed bill of the following title:

S. 6121. An act to authorize the construction of a bridge across the Niagara River, in the town of Lewiston, in the county of Niagara and State of New York.

SUNDRY CIVIL APPROPRIATION BILL.

The committee resumed its session.

The CHAIRMAN. If there is no further general debate, the Clerk will read.

The Clerk read as follows:

Aberdeen, Wash., post office: For commencement, \$1,000.

Mr. GILLET. Mr. Chairman, I have an amendment which I wish to offer, but before offering it formally I think I can save time by stating the purpose of it. It is a very long one and I will not read it. I now move to strike out the last word.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. GILLET. Certainly.

Mr. BARTLETT. I understand the gentleman from Massachusetts [Mr. GILLET] proposed to offer an amendment as to certain various items in this bill. And the purpose of your

suggestion was that the motion to strike out might be made in a lump? Is that it?

Mr. GILLET. I will explain. My purpose is this, namely, to strike out all after line 2, on page 2, down to and including line 6, on page 22, which means to strike out all the appropriations for public buildings, and then insert a list which I have written out here, covering two pages, of all the buildings which are now in progress.

Mr. BARTLETT. In other words, the gentleman proposes to strike out of the bill all beginning with line 2, page 2, down to line 7, page 22? Is that it?

Mr. GILLET. That is my purpose. It is to strike out all the public buildings, and then reinsert those which are under progress of construction now. My intent and argument is this, that with the state of the Treasury to-day and the probable income during the next fiscal year public buildings are a luxury and not a necessity, and it is wise for us to defer these buildings, which can be just as well appropriated for later, and not appropriate for any of them the coming year.

Mr. PAGE of North Carolina. Will the gentleman allow a suggestion? Will the gentleman ask unanimous consent to be allowed to offer his amendment at the place designated at the end of these public buildings, covering all these items? I think that would reach the purpose the gentleman has in view.

Mr. GILLET. I will be perfectly willing to do it in that way.

Mr. PAGE of North Carolina. That will save the gentleman offering an amendment after each of these items separately, and would be valuable in the interest of time.

Mr. HARRISON. Mr. Chairman, is it proposed not to have the amendment read?

Mr. BARTLETT. It has not been read yet.

Mr. GILLET. I was going to explain it first.

Mr. MANN. If the gentleman will permit, the amendment is in order at this place, and he has the right to offer an amendment here.

Mr. PAGE of North Carolina. To strike out this amendment?

Mr. MANN. To strike out this amendment and give notice after his amendment is agreed to to strike out the other items as they were read.

Mr. PAGE of North Carolina. As they were read?

Mr. MANN. Yes; as they were read; but it would probably be better to give him the right to offer his amendment after line 6, on page 22, is read.

Mr. PAGE of North Carolina. That was the suggestion I made to the gentleman, to proffer a unanimous-consent request, in the interest of saving time.

Mr. GILLET. Mr. Chairman, I wish to consume as little time as possible, and so, in accordance with the suggestion of the gentleman from North Carolina [Mr. PAGE], I ask unanimous consent when we shall have reached line 6, on page 22, to offer an amendment.

Mr. FERRIS. Mr. Chairman, reserving the right to object, what is the purpose of this, more delay?

Mr. PAGE of North Carolina. The gentleman should know that the committee in reporting it is going to stand by this bill.

Mr. FERRIS. Some of these buildings have been authorized for seven years, and they have not been built yet. I do not think we should wait any longer.

The CHAIRMAN. The gentleman from Massachusetts [Mr. GILLET] asks unanimous consent that when we shall have reached line 6, of page 22, he shall be permitted to return to offer an amendment striking out all the items after line 2, of page 2, and substituting some provision in lieu thereof. Is there objection?

Mr. DONOVAN. I object, Mr. Chairman.

The CHAIRMAN. The gentleman from Connecticut [Mr. DONOVAN] objects.

Mr. DONOVAN. I will withdraw it, Mr. Chairman.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none, and it is so ordered. The Clerk will read.

The Clerk read as follows:

Fayetteville, Tenn., post office: For completion, \$15,000.

Mr. TAYLOR of Arkansas. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment offered by the gentleman from Arkansas.

The Clerk read as follows:

Page 7, line 13, after the figures "\$15,000" insert "Fordyce, Ark., post office: For completion, \$50,000."

Mr. TAYLOR of Arkansas. Mr. Chairman, in 1910 Senator ROBINSON, who then represented my district, obtained an authorization for a site for this building, and in March, 1913, I secured authorization for the building. I trust the committee

will now permit my amendment to go in. The people need this building. Fordyce is a splendid and flourishing little city. Until this bill was reported I felt, from information obtained, that the authorization which I had secured would be carried and that the appropriation of \$50,000 would be made available. I know that war conditions have shortened our revenues, but, considering the fact that the Government is now paying six or seven hundred dollars yearly as rent for a post-office building, I sincerely hope the appropriation will be granted.

Mr. FITZGERALD. Mr. Chairman, I wish the committee to understand exactly what the situation is relative to this building. The same situation exists relative to two other buildings. The appropriations for public buildings carried in the bill are for public buildings in their order in the program established by the Treasury Department in accordance with the well-known rule. When a site is actually obtained and the building authorized, a number is given to the project. Thereafter, as new projects are taken up, they are taken up in numerical order. No building is provided for in the pending bill except such as have been taken up in accordance with that well-established rule.

The Treasury Department requested that provision be made for three buildings which it was proposed to advance out of their turn—one at Arkadelphia, Ark.; one at Fordyce, Ark.; and one at Willow, Cal. It was stated that the reason for advancing those buildings out of their order was that a proposal had been made that the citizens of the localities or some other persons should furnish to the Treasury Department the plans in accordance with which the buildings were to be erected. The committee reached the conclusion that even if the plans were prepared and furnished by some outside party, the Supervising Architect's Office would be compelled to give such time and service in the examination of the plans in order to determine whether they were satisfactory, as to amount, practically to the preparation of the plans themselves. The committee followed the rule that has been followed by the committee during my service upon it—not to recommend appropriations for buildings out of their order except in the case of some very extraordinary emergency, resulting, for instance, from the destruction of an existing building by fire or some other catastrophe.

At Fordyce, Ark., a site was authorized in 1910, to cost \$5,000. In the public building bill of 1913 a building to cost \$50,000 was authorized. If this building be provided for at this time because plans are furnished by some source other than the Supervising Architect's Office, it means that this building will be advanced over a great many other buildings which had been authorized a number of years previously.

These are the facts. The Committee on Appropriations did not believe that it would be justified in recommending appropriations to advance the three buildings out of their turn, and I am compelled to antagonize the amendment offered by the gentleman from Arkansas.

Mr. BURKE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. BURKE of South Dakota. I would like to ask the gentleman on what basis these estimates are made. Are the buildings on the market and ready for construction when these appropriations are made?

Mr. FITZGERALD. Some of the appropriations are for buildings now under construction, and others are for buildings for which it is expected contracts will have been let and construction commenced prior to June 30, 1916.

Mr. BURKE of South Dakota. I notice there are a number of these items, where the appropriation is only \$1,000, reading, "For commencement, \$1,000." Is it expected that you can commence the construction of a public building to cost perhaps from \$50,000 to \$300,000 by expending a thousand dollars?

Mr. FITZGERALD. The appropriations for public buildings are immediately available, and continue available until expended. For more than 20 years at the short session of Congress it has been the policy to appropriate for a period of 16 months, and at the long session of Congress to appropriate for a period of 7 or 8 months. Now, for any building that the Treasury Department believes will be under contract and work commenced upon it prior to the 30th of June, 1916, such sum has been included as will be required, and in a number of instances not more than \$1,000 is required to pay for some preliminary expenses.

Mr. BURKE of South Dakota. Let me ask the gentleman one further question. Do these amounts usually follow the estimates submitted by the Secretary of the Treasury?

Mr. BARTLETT. Altogether.

Mr. FITZGERALD. Altogether. The committee accept the recommendation of the department and carry the amount recommended.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas.

The amendment was rejected.

The Clerk read as follows:

Georgetown, Ky., post office: For completion, \$45,000.

The CHAIRMAN. The Chair will call the attention of the gentleman from New York to the fact that a cipher has been omitted inadvertently in line 25, on page 7.

Mr. FITZGERALD. It should be \$45,000. I ask that the Clerk correct it.

The CHAIRMAN. If there be no objection, the correction will be made.

The Clerk read as follows:

Globe, Ariz., post office and courthouse: For commencement, \$1,000.

Mr. MADDEN. I move to strike out the last word. What is the limit of cost on this post office where \$1,000 is appropriated?

Mr. BARTLETT. One hundred thousand dollars.

Mr. FITZGERALD. Very frequently this appropriation is to pay the expenses of sinking test pits on the site.

Mr. BARTLETT. Getting ready.

Mr. MADDEN. That is an extraordinary situation.

Mr. MANN. At Globe, Ariz.; that ought to be sufficient to build a post office for that town.

Mr. FITZGERALD. The Supervising Architect states that it is expected that funds will be required before the close of the fiscal year 1916 for the sinking of test pits and the surveying of the site, and he asks \$1,000.

Mr. MADDEN. Is the lot purchased?

Mr. FITZGERALD. Oh, yes.

Mr. MADDEN. One thousand dollars for sinking test pits!

Mr. FITZGERALD. And surveying the site, in order to determine the dimensions of the building.

Mr. MADDEN. Everybody who builds a building in Globe, Ariz., or anywhere near there, knows exactly what the character of the earth is upon which the foundation will have to be built.

Mr. FITZGERALD. The Supervising Architect's Office in all these cases determines the character of the earth in which the foundation is laid.

Mr. MADDEN. It is just like throwing money into the lake to spend \$1,000 for the purpose which the gentleman has stated, and it is evidently only for the sentimental purpose of allowing the Representative from that district to say to his people that he got an appropriation.

Mr. FITZGERALD. I am unable to answer that. The Supervising Architect states that that is what is required.

Mr. MADDEN. What is the limit of cost of the building?

Mr. FITZGERALD. One hundred thousand dollars.

Mr. MADDEN. An appropriation of \$1,000 is a farce under such circumstances, and it ought not to be allowed to go into the bill. It is just like a game of bunco on the Members of the House, pretending to say that \$1,000 is needed for the purpose of sinking test pits. I have never seen a case before in any other bill where such an appropriation was made. It is the first case. It is useless. It is a waste of money. It does not accomplish any good, unless it helps the Member from that district politically, and I do not know whether that is any good or not.

Mr. FITZGERALD. Such items have been carried in the sundry civil bill as long as my memory goes back.

Mr. MADDEN. A thousand dollars?

Mr. FITZGERALD. A thousand dollars. The gentleman will understand that when the department advertises for bids it either must give information as to the character of the material to be found in the excavation or else the contractor must make such allowances that it will be impossible for the department to make contracts that will be of very great value.

Mr. MADDEN. In all my years of experience I have never seen anything of that sort necessary, unless you were going to build a tunnel somewhere.

Mr. FITZGERALD. The gentleman is talking about how private concerns would conduct business, and we are talking about how the Government conducts it.

Mr. MADDEN. I know how the Government ought to conduct it.

Mr. FITZGERALD. The Government advertises for the construction of a building upon a certain site—

Mr. MADDEN. I know.

Mr. FITZGERALD. And it furnishes the bidders information regarding the site itself.

Mr. MADDEN. It furnishes a plan of the site and the specifications on which the man makes the figures in connection with the plan.

Mr. FITZGERALD. And it furnishes information of the character of the ground.

Mr. MADDEN. Everybody that bids on a little building like this knows the character of the ground, and if the Government did not furnish it he would find out himself. No man of any responsibility would bid on putting up a building and take the Government information without ascertaining it for himself. I say it is money thrown away.

Mr. FITZGERALD. I suppose somebody must make a survey so that the building will fit the site.

Mr. MADDEN. The plans are there, and the man that is going to put up the building always sees that the building is put on the lot in the way that it ought to be, and there is no need of any special survey.

Mr. FITZGERALD. The gentleman from Nebraska [Mr. MAGUIRE] smiles at me. I recollect that in a case in Nebraska, I do not know whether it was in his district or not, after a building had been erected, it was found out that one side of it had been erected upon either a filled place or on particularly soft ground, and before it was possible to move into the building it was necessary to provide money to make the building stand up and keep it stable.

Mr. MAGUIRE of Nebraska. Mr. Chairman, I wish to verify in part what the chairman has just said. There were unforeseen conditions in the earth, the ground many years before had been filled in, and it made it practically impossible to complete the building in the best form. The architect had to do a part of the work over again, to reinforce the foundation, because of the fact that the architect and inspectors did not understand the formation of the ground upon which they built.

Mr. DILLON. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. DILLON. I see that there are 36 of these \$1,000 appropriations. They are for sites that have already been secured.

Mr. FITZGERALD. They are for buildings upon sites that have been secured.

Mr. DILLON. I fail to see any necessity for the appropriation, but it rather shows the activity of the 36 Congressmen.

Mr. FITZGERALD. That may be a desirable reason.

Mr. GOULDEN. Will the gentleman yield?

Mr. FITZGERALD. Yes.

Mr. GOULDEN. In looking over the bill, which I see is very carefully and skillfully drawn, I notice that the gentleman has about 80 commencements, and they run from \$1,000 to \$200,000. Will the gentleman kindly explain about that? He has explained about the \$1,000, but what about those that exceed \$1,000?

Mr. FITZGERALD. Those are the amounts of money that the Supervising Architect states will be required between now and the 30th of June, 1916, to meet the continuing obligations on the buildings.

Mr. GOULDEN. Why are they called "commencements"?

Mr. FITZGERALD. Because they are the commencements of new buildings. The items are distinguished in this way: When an appropriation is made for a building for the first time the word "commencement" is used; where a building is under construction and an additional amount is required but not all needed to complete, the word "continuation" is used; when the appropriation is finally made, within the authorization, the word "completion" is used. By the use of the different terms it is possible to tell by looking at the item within what category the project is.

Mr. GOULDEN. The word "commencement" seems to be a misnomer, because it looks as if after the site had been secured you are going to appropriate money to begin over again.

Mr. FITZGERALD. This is to begin the building.

Mr. GOULDEN. You are starting a new building.

Mr. FITZGERALD. Yes; and we begin the building under a definite contract. Nothing has been appropriated prior. The first paragraph in the bill for sites says:

PUBLIC BUILDINGS, CONSTRUCTION AND SITES.

For sites, commencement, continuation, or completion of public buildings within the respective limits of cost authorized by law, rent and removal expenses in cities pending extension and remodeling of buildings, severally, as follows.

Whichever expression is used describes accurately the category in which it belongs.

Mr. GOULDEN. In a section of the district that I represented for eight years, but now by another [Mr. BRUCKNER, of the twenty-second], a site has been secured costing \$250,000, and I have held this Member back from trying to secure money for the building by telling him that this was not the time to make a demand on the Treasury; and, secondly, that the building had not been authorized by the Committee on Public Buildings and Grounds, and now, from the reading of the bill, these are new buildings to be appropriated for, and I feel that perhaps I have misled him.

Mr. FITZGERALD. These buildings have been authorized for some time, and they are now being reached in their order. If the building that my colleague refers to had been authorized and was reached in order, provision would have been made in the bill for it, whether he or his colleague had any knowledge of it or not.

Mr. GOULDEN. The building has never been authorized, but we have the site, and have had for some time.

Mr. FITZGERALD. Then, no money in this bill will be carried for it. No money in this bill is carried for buildings that have not been authorized. The Committee on Appropriations does not authorize public buildings.

Mr. GOULDEN. I wanted to make sure about the use of the term "commencement."

Mr. FITZGERALD. It is as I have said—the commencement of a building which has been authorized.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. BURKE of South Dakota. Mr. Chairman, I move to strike out the last word. I do not think the gentleman from New York has made this matter clear, at least he has not to me. I want to call his attention to lines 13 and 14 on this same page 8:

Greenwich, Conn., post office: For commencement, \$50,000.

That is exactly the same language that is used in the item now under consideration, found in lines 3 and 4. In the case at Greenwich, Conn., I presume the plans have been completed and a contract is or is about to be let, and it is estimated that it will require \$50,000 to meet the money that the contractor will earn between now and June 30, 1916. In the case of Globe, Ariz., I would like to ascertain whether or not that is money to be used in preparing plans and specifications or money that will be earned by a contractor who may get the contract to erect that building?

Mr. FITZGERALD. Mr. Chairman, my understanding is that it is to provide the surveys necessary to be performed before they feel free to advertise and let the contracts.

Mr. BURKE of South Dakota. Mr. Chairman, I think the gentleman is probably correct about that, because the man who may bid on this building in Arizona may live in the city of New York, and the plans and specifications, in order to be complete, must show what the foundation will be. I can appreciate how some money may be necessary to be expended by the department in preparing plans and making a survey, but I do not believe this money is to be used to pay a contractor who subsequently may take the contract. I would like to ask the gentleman in the case of Greenwich, Conn., whether there was ever an appropriation for that building previous to the \$50,000 item? In other words, was \$1,000 appropriated there?

Mr. FITZGERALD. It was not.

Mr. BURKE of South Dakota. Then, this is a departure, as was suggested by the gentleman from Illinois [Mr. MADDEN], to make these small appropriations?

Mr. FITZGERALD. Mr. Chairman, the gentleman is mistaken. The condition is this: In Greenwich, Conn., a building to cost \$90,000 is authorized. It is expected that they will be ready to let the contract in the second quarter of the fiscal year 1916, so that for the balance of that fiscal year \$50,000 will be earned. Globe, Ariz., is not nearly as far up on the list, if I recall correctly, as Greenwich, and they will not reach anything like the stage where they are ready to let a contract during the fiscal year 1916, but they will be prepared to survey the lot and to make the tests. If I understand anything about buildings, before plans are prepared for the erection of a building on a certain lot a survey is made. For instance, under the law a public building can not be constructed within a certain distance of another building. There must be a certain space between the building and the adjacent building, and a survey is necessary.

Mr. BURKE of South Dakota. I understand that. Here is a case where a building at Globe, Ariz., is authorized to cost \$100,000. A building at Greenwich, Conn., is authorized to cost \$90,000. In the one case where the building is to cost \$100,000, \$1,000 is now proposed to be appropriated, while in the other case \$50,000 is to be appropriated. I assume from what the gentleman says that the Greenwich case will probably be upon the market and the contract let by reason of the fact that it was authorized at some previous Congress to the one in Arizona, several months ahead of the building at Globe.

Mr. MADDEN. Mr. Chairman, will the gentleman yield?

Mr. BURKE of South Dakota. Yes.

Mr. MADDEN. What is the population of Globe, Ariz., I will ask the gentleman from New York?

Mr. STEPHENS of Texas. I can state to the gentleman that I have been there and it is quite a large town.

Mr. FITZGERALD. The population in 1910 was 7,083.

Mr. MADDEN. And what are the postal receipts?

Mr. FITZGERALD. The postal receipts in 1913 were \$21,784, the money-order receipts were \$307,942, and the postal savings receipts were \$57,324.

Mr. MADDEN. Mr. Chairman, here we have a town with 7,500 people, with postal receipts—

Mr. FITZGERALD. If the gentleman will permit me, the authorization was \$15,000 for the site in the act of 1910, and the building, to cost \$100,000, was authorized in the act of 1913.

Mr. MADDEN. The total amount is how much?

Mr. FITZGERALD. One hundred and fifteen thousand dollars for building and site.

Mr. MADDEN. Mr. Chairman, here we have a town of 7,500 people, with postal receipts of \$21,000, and we propose to erect a building the cost of which, including the lot, will be \$115,000. The interest upon that will be \$3,450 a year at the rate of 3 per cent; the janitor service will not be less than \$600; lighting, heating, and repairs will amount to \$1,200; making, in all, \$5,250, while a building suitable for the city's needs could be rented for not to exceed \$1,200 a year. Post-office revenues during the current fiscal year are running behind at the rate of \$20,000,000, and to-day I have word from the city of Chicago, that turns in \$20,000,000 of surplus every year from its post office, that because of the shortage of revenues 350 letter carriers have had their salaries cut from \$1,200 a year to \$1,000 a year, and more to come; and yet we go on with this extravagance and this waste of public money and take it out of the hides of men who carry tons of mail every week upon their backs. There is not any justification for putting up a public building in any town in the United States with a population of less than 25,000 people. Nobody can justify it either from a governmental standpoint or from the standpoint of economy, and no man engaged in a private business enterprise would submit to this kind of extravagance for a minute.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. MADDEN. Not just now.

Mr. BARTLETT. I wanted to ask the gentleman a question.

The CHAIRMAN. The gentleman declines to yield.

Mr. MADDEN. Twenty million dollars surplus from one city office, and yet, on account of the \$20,000,000 shortage of revenue and the enactment of Democratic tariff laws, we are compelled to turn the men who have devoted their lives to the Government service either out of employment or reduce their wages from \$1,200 to \$1,000 a year. Can you justify this kind of appropriations under such conditions? I do not believe that the American people when they understand the facts in the case will submit to this kind of appropriations. Public buildings for the performance of public business ought to be erected only in places where the business of the Government justifies it, and I maintain that the business of the Government does not justify appropriations for public buildings where the cost of maintenance of a building, including the interest charge, is five times as much as you can rent a building for to do the work. You talk about Government ownership and some men plead for it. Go on with it if you will; plunge the country into bankruptcy if you want to; but you can not do it with my vote or except over my protest. Here we have an opportunity to economize and we will not do it. We still spring forward in our reckless waste of public money. We have taxed the people on every necessity of life to maintain the ordinary running expenses of this Government. We have appropriated more money in the last year than in any year of the Government's history. Never in all the history of America was there such extravagance as is witnessed under the present administration, and as a result of that extravagance we are obliged to witness the appalling spectacle of men who have devoted for the past 20 years the best there is in them having their salaries reduced from a living wage to the standard of poverty. No consideration whatever is given to the work that they have already done or the advancement of the interests of the Government by their work. All they are given in return for their patriotic devotion to the Government is an order to reduce their compensation or to be thrown out of employment.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DONOVAN. Mr. Chairman, I move to strike out the last two words. If the distinguished gentleman from Illinois [Mr. MADDEN] in his younger official days had had as much virtue or care or concern for the Treasury as he has to-day we would not know of the conditions that have taken place in the past. This authorization was under Republican government originally, and the gentleman was present and submitted without any protest.

Mr. MADDEN. This is a good time to stop it.

Mr. DONOVAN. Mr. Chairman, if the gentleman wished to be fair, he would say to his associates, "We will give the Democrats credit." The Republican Member from Illinois should say of the Democrats, "They did not have the greed, they did not have the avarice, in getting appropriations that we had when we Republicans were in power."

Mr. MADDEN. Will the gentleman yield for a question?

The CHAIRMAN. Does the gentleman yield?

Mr. DONOVAN. Because five places in the State of Wyoming, with a total population of the whole State only half the population of the district I represent, five buildings with an expenditure amounting to \$497,000 passed a Republican Congress, although the total population of the five localities was less than 10,000 souls. If the gentleman wanted to be fair, as an old Member, a capable Member, he should not arrogate to himself—

Mr. MADDEN. Will the gentleman yield for a question?

The CHAIRMAN. Does the gentleman yield?

Mr. DONOVAN. Mr. Chairman, I will signify when I get ready to yield to the distinguished gentleman. [Laughter.]

I am going to heap coals of fire upon his head. He ought not to rise in his seat and appear indignant as to things he has seen to-day, because he has seen them before. I repeat, \$497,000 were appropriated for five public buildings in the State of Wyoming, and the total population of the five localities is not over 10,000, and no protest from the distinguished gentleman from Illinois. There was no wail from the men who were plucking the Treasury at that time. But now he has become virtuous, and on the eve of his day, like those other great philanthropists, he is trying to do something in the way of restitution, hoping that in his future home it will be noticed.

Mr. Chairman, I yield back my time.

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn, and the Clerk will read.

Mr. MADDEN. Mr. Chairman, I will just say to the gentleman that the Republicans always had funds with which to meet their obligations when they were in power.

Mr. MANN. Mr. Chairman, I move to strike out the last three words. I would like to suggest to the gentleman from New York that this is Saturday night, and that we commenced at 11 o'clock this morning and it is now after 5 o'clock. We have probably gotten into a debate that will prevent any progress with the bill, anyhow, to-night. I think we ought to adjourn.

Mr. FITZGERALD. Mr. Chairman, I wish to suggest to the gentleman from Illinois [Mr. MADDEN] that the time to have protested against these public buildings was when the bill authorizing the construction of the buildings was before the House.

Mr. MADDEN. I will say to the gentleman from New York that I did.

Mr. FITZGERALD. But I think the gentleman's recollection is in error.

Mr. MADDEN. Oh, no.

Mr. FITZGERALD. I protested, but the RECORD does not show that the gentleman from Illinois made any protest at that time.

Mr. MADDEN. The RECORD shows that I made a speech against it.

Mr. FITZGERALD. No; I have just had the matter looked up in the library, and that is why I am speaking so authoritatively.

Mr. MADDEN. Look it up again.

Mr. FITZGERALD. I was one of those who protested against the public building bill. I tried to have a record vote of the Members of the House upon it. I could not even get one-fifth of those present to join in ordering the yeas and nays upon the bill.

Mr. MANN. Mr. Chairman—

Mr. FITZGERALD. Just a minute. I have not finished yet.

Mr. MANN. I yield to the gentleman.

Mr. FITZGERALD. The gentleman from Illinois did not do that; and I am not certain that the item in which he was interested was in that bill or in a separate bill. That was an item providing \$75,000 for the immigrant station at Chicago.

Mr. MADDEN. I will say to the gentleman that I am not interested in any item. I have never asked for any item.

Mr. MANN. That was not in the public building bill at all.

Mr. MADDEN. I will say to the gentleman that I have never asked for any item in the bill.

Mr. DONOVAN. Will the gentleman from New York yield?

Mr. FITZGERALD. No.

Mr. DONOVAN. You have not the floor.

The CHAIRMAN. The gentleman from Illinois [Mr. MANN] has the floor, and is yielding to the gentleman from New York [Mr. FITZGERALD].

Mr. FITZGERALD. Then I decline to be interrupted. Mr. Chairman, the time to protest against public buildings, on the ground that it is unwise and bad policy to erect them, is when the buildings are authorized. After they are authorized and sites have been acquired and plans have been prepared and work is about to be commenced, it is just as futile as shooting at the moon as to try to stop the appropriation. I know I do a great many things that do not always meet the success they deserve in this House, but I always try to avoid antagonizing things as utterly impossible to prevent such appropriations as those under consideration.

Mr. MANN. Mr. Chairman, I am very sorry that my friend from New York is weakening in his virtue. When the Treasury was full and there was plenty of money for public buildings he took credit to himself for opposing their authorization, but when the Treasury is empty and no one knows where the money is coming from he plumes himself upon appropriating money for them. However, in justice to the gentleman, I might add that I believe his opposition to the public building bill was not wholly because of the provisions in the bill.

Mr. FITZGERALD. I never feel it is necessary either to apologize or to defend my conduct in the performance of my public duties. I believe, however, it is only fair to say this: That if I had the determination or if I occupied that responsible position in the Government that would be controlling in the determination of questions of what the expenditures of the Government should be in the next fiscal year, they would be at least \$50,000,000 less than they will be. But I do not believe I have been commissioned to assume all of the burdens of Government. While I am a part of and cooperating with the administration, my views are not always in accord either with the majority here or in other places.

I am ready to do my part. I would not have hesitated, if the responsibility were mine, to have eliminated over \$50,000,000 more than will be eliminated from the various appropriation bills to be enacted by Congress at this session; and I would do it with the absolute conviction that no material interest of the Government or of the public would be in the slightest degree impaired. [Applause.] But all over the country the cry has gone up that in order to relieve distress, in order to furnish employment, in order to keep turning the wheels of industry, that the Federal Government, the State governments, and local communities should rush public enterprises.

It reminds me of the history of Rome, when the Roman Emperors were compelled one day to give great games in order to entertain the populace and the next day to authorize public works in order to keep them out of mischief. Whenever we have a situation where the Government must provide food and amusement and work, we have arrived at that point where the discerning student of history can see the rocks ahead upon which the Government is bound to be wrecked.

Mr. MANN. That is good advice, but I hate to have it wasted on the House when there are so few present. I therefore make the point of order that there is no quorum present.

The CHAIRMAN. The gentleman from Illinois makes the point of order that there is no quorum present.

Mr. FITZGERALD. I am sorry that it was made at that particular time in my remarks. I move that the committee rise.

The CHAIRMAN. Will not the gentleman withhold his point until the pro forma amendment can be disposed of, so that it will not be pending when the consideration of the bill is resumed?

Mr. MANN. I withdraw it, Mr. Chairman.

The CHAIRMAN. The pro forma amendment is withdrawn. The gentleman from New York [Mr. FITZGERALD] moves that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. CRISP, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having under consideration the bill (H. R. 21318) making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1916, and for other purposes, had directed him to report that it had come to no resolution thereon.

SENATE JOINT RESOLUTION REFERRED.

Under clause 2, Rule XXIV, Senate joint resolution of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. J. Res. 210. Joint resolution to authorize the President to invite certain Governments to send delegates to the Pan American Medical Congress; to the Committee on Foreign Affairs.

SPEAKER PRO TEMPORE FOR TO-MORROW.

The SPEAKER. The Chair designates the gentleman from New York [Mr. FITZGERALD] to preside to-morrow.

HOUR OF MEETING ON MONDAY.

Mr. FITZGERALD. Mr. Speaker, I ask unanimous consent that when the House adjourns to-morrow it adjourn to meet at 11 o'clock on Monday morning.

The SPEAKER. The gentleman from New York asks unanimous consent that when the House adjourns to-morrow, Sunday, it adjourn to meet at 11 o'clock on Monday morning. Is there objection?

Mr. MANN. Reserving the right to object, Mr. Speaker, is it the intention of the gentleman from New York to proceed on Monday with the consideration of the sundry civil appropriation bill?

Mr. FITZGERALD. It is my intention to ask the House to do so.

Mr. MANN. That is the same thing.

Mr. FITZGERALD. I believe it is the desire of all to pass this bill speedily and, so far as the House is concerned, to do everything possible to enact the appropriation bills in ample time at this session. I am quite sure I do not wish to go through the same grind after the 4th of March that I have had since Congress convened.

The SPEAKER. The gentleman from New York asks unanimous consent that when the House adjourns to-morrow it adjourn until 11 o'clock a. m. Monday. Is there objection?

There was no objection.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. HAYES, for one week, on account of important business.
To Mr. WATSON, for one day, on account of sickness.

WITHDRAWAL OF PAPERS.

Mr. STEPHENS of California, by unanimous consent, was granted leave to withdraw from the files of the House, without leaving copies, the papers in the case of Philip Gavin (H. R. 4859), no adverse report having been made thereon.

ADJOURNMENT.

Mr. FITZGERALD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 18 minutes p. m.) the House adjourned, pursuant to the order previously made, until to-morrow, Sunday, February 7, 1915, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the assistant clerk of the Court of Claims, transmitting a copy of the findings of the court in the case of Miles W. Elliott v. The United States (H. Doc. No. 1561); to the Committee on War Claims and ordered to be printed.

2. A letter from the assistant clerk of the Court of Claims, transmitting a copy of the findings of the court in the case of Susan E. Baylies, daughter and sole heir of William McE. Dye, v. The United States (H. Doc. No. 1562); to the Committee on War Claims and ordered to be printed.

3. A letter from the assistant clerk of the Court of Claims, transmitting a copy of the findings of the court in the case of John A. Barnett v. The United States (H. Doc. No. 1563); to the Committee on War Claims and ordered to be printed.

4. A letter from the assistant clerk of the Court of Claims, transmitting a copy of the findings of the court in the case of Otto F. Peters, guardian in lunacy of Presley Bishop, v. The United States (H. Doc. No. 1564); to the Committee on War Claims and ordered to be printed.

5. A letter from the assistant clerk of the Court of Claims, transmitting a copy of the findings of the court in the case of John Blair v. The United States (H. Doc. No. 1565); to the Committee on War Claims and ordered to be printed.

6. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of William O. Bidlack v. The United States (H. Doc. No. 1566); to the Committee on War Claims and ordered to be printed.

7. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of Sallie Perdue, widow of Granville C. Perdue, v. The United States (H. Doc. No. 1567); to the Committee on War Claims and ordered to be printed.

8. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of

Richard F. Jacks v. The United States (H. Doc. No. 1568); to the Committee on War Claims and ordered to be printed.

9. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of H. Grant Howarth, heir of Jonathan Howarth, deceased, v. The United States (H. Doc. No. 1569); to the Committee on War Claims and ordered to be printed.

10. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of Edwin G. Munsell et al., heirs of Cyrus Hall, deceased, v. The United States (H. Doc. No. 1570); to the Committee on War Claims and ordered to be printed.

11. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of Erastus Guy v. The United States (H. Doc. No. 1571); to the Committee on War Claims and ordered to be printed.

12. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of Joseph E. Beatty v. The United States (H. Doc. No. 1572); to the Committee on War Claims and ordered to be printed.

13. Letter from the assistant clerk of the Court of Claims transmitting a copy of the findings of the court in the case of Duane D. Finch v. The United States (H. Doc. No. 1573); to the Committee on War Claims and ordered to be printed.

14. Letter from the Commissioner of Patents transmitting a report of the business of the Patent Office for the year ended December 31, 1914 (H. Doc. No. 1574); to the Committee on Patents and ordered to be printed.

15. Letter from the Secretary of the Treasury transmitting estimates of appropriations required by the several departments of the Government on account of the service of the fiscal year ending June 30, 1915, and for prior years (H. Doc. No. 1575); to the Committee on Appropriations and ordered to be printed.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. TEMPLE: A bill (H. R. 21349) providing for the purchase of a site and the erection thereon of a public building at Midland, in the State of Pennsylvania; to the Committee on Public Buildings and Grounds.

By Mr. FLOYD of Arkansas: A bill (H. R. 21350) to increase the limit of cost of the construction of a Federal building at Eureka Springs, Ark.; to the Committee on Public Buildings and Grounds.

By Mr. GALLAGHER: A bill (H. R. 21351) to provide for the construction of a suitable office for the United States customs barge service, and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. TAYLOR of New York: A bill (H. R. 21352) providing for the adjudication of a certain claim by the Court of Claims; to the Committee on Claims.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. EDWARDS: A bill (H. R. 21353) for the relief of J. A. Stanfield; to the Committee on War Claims.

By Mr. McKELLAR: A bill (H. R. 21354) granting a pension to David R. Locke; to the Committee on Pensions.

By Mr. O'HAIR: A bill (H. R. 21355) granting a pension to John McGowan; to the Committee on Invalid Pensions.

By Mr. TALCOTT of New York: A bill (H. R. 21356) granting a pension to Jennie W. Koehl; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER (by request): Memorial of the Missouri-Kansas Turnpike and various citizens of Boston, urging passage of House joint resolution 377, relative to export of war material; to the Committee on Foreign Affairs.

Also (by request), petition of California State Senate, favoring passage of rivers and harbors bill; to the Committee on Rivers and Harbors.

Also (by request), petition of inmates of the Confederate Memorial Home, Washington, D. C., favoring Works-Establishment pension bill; to the Committee on Invalid Pensions.

By Mr. ALLEN: Memorial of Catholic Order of Foresters and Council of Cleves, Ohio, favoring passage of the civil-service

retirement bill; to the Committee on Reform in the Civil Service.

By Mr. ASHBROOK: Petition of Julius Juch and 80 others, of Newark, Ohio, urging passage of bills to prohibit export of war materials; to the Committee on Foreign Affairs.

By Mr. BAILEY: Petitions of Rev. H. L. Jacobs, John H. Shope, J. C. Day, A. P. Day, J. Heiss, Frank Turner, A. C. Wilt, D. McClure, and William Gilling, all of Altoona, Pa., protesting against passage of H. R. 20644, relative to a censorship of publications; to the Committee on the Post Office and Post Roads.

By Mr. BARTHOLDT: Petition of Barry-Wehmiller Machinery Co., of St. Louis, Mo., protesting against the ship-purchase bill; to the Committee on the Merchant Marine and Fisheries.

Also, petition of John J. Pfenniger and Nanewal Bread Co., of St. Louis, Mo., in favor of an embargo on wheat; to the Committee on Foreign Affairs.

Also, petition of Tenth Ward Improvement Association, of St. Louis, Mo., in favor of an appropriation by Congress for public works; to the Committee on Roads.

Also, petitions of 16 citizens of St. Louis, Mo., in favor of the Fitzgerald amendment to the Post Office appropriation bill; to the Committee on the Post Office and Post Roads.

Also, petitions of citizens of St. Louis, Florissant, Clayton, Freedom, King City, and Creve Coeur, all in the State of Missouri, and Kansas-Missouri Turnbezirk, Leavenworth, Kans., in favor of bills providing for an embargo on arms; to the Committee on Foreign Affairs.

Also, petitions of German-American Alliance (552 members) of Wausaw, Wis.; Schiller Lodge, of Middletown, Conn.; and German Evangelical Church (1,000 members), of Brooklyn, N. Y., in favor of bills providing for an embargo on arms; to the Committee on Foreign Affairs.

Also, petition of National German-American Alliance of Hohenwald, Tenn., and resolutions of a mass meeting of citizens of Louisiana held at New Orleans, La., in favor of bills providing for an embargo on arms; to the Committee on Foreign Affairs.

By Mr. BROCKSON: Petition of C. E. Marshall, Samuel F. Adams, and other lighthouse keepers, favoring increase in ration money for lighthouse keepers; to the Committee on Rivers and Harbors.

By Mr. BURKE of Wisconsin: Petition of Rev. Joseph Oesch and 32 other citizens of Sheboygan rural route No. 5, Wisconsin, asking for the passage of a law at this session to levy an embargo on all material useful in war, save foodstuffs and wearing apparel and surgical supplies; to the Committee on Foreign Affairs.

By Mr. DALE: Memorial of American Association for Labor Legislation, favoring the passage of the Kern-McGillcuddy workmen's compensation bill (H. R. 15222); to the Committee on Labor.

Also, petition of New York Engravers' Union No. 1, favoring passage of the immigration bill over the President's veto; to the Committee on Immigration and Naturalization.

By Mr. DICKINSON: Memorial of Missouri-Kansas Turnbezirks, representing 2,000 citizens of Missouri and Kansas, also 165 citizens of the sixth district of Missouri, favoring resolution to prohibit export of war material; to the Committee on Foreign Affairs.

By Mr. EAGAN: Petitions of sundry citizens of New Jersey, favoring passage of resolution to prohibit export of war material; to the Committee on Foreign Affairs.

By Mr. GARDNER: Petition of National Independent Equal Rights League, Boston, Mass., against passage of "jim crow" law for the District of Columbia; to the Committee on the District of Columbia.

By Mr. GOOD: Memorial of Iowa State Senate, favoring investigation by Congress of the origin of the foot-and-mouth disease; to the Committee on Appropriations.

By Mr. GRAHAM of Pennsylvania: Petition of Volks-Verein, of Philadelphia, Pa., protesting against power given the Postmaster General with regard to the Menace; to the Committee on the Post Office and Post Roads.

Also, memorial of Louisiana State Federation of Labor and the Washington Camp, No. 34, I. O. S. of A., favoring passage of the immigration bill over the President's veto; to the Committee on Immigration and Naturalization.

By Mr. GRAY: Petition of H. H. Mier and 30 other citizens of Hancock County, Ind., protesting against House bill 20644; to the Committee on the Post Office and Post Roads.

Also, petition of Fred Sandwehr and 190 other citizens of Hancock County, Ind., protesting against House bill 20644; to the Committee on the Post Office and Post Roads.

By Mr. GRIEST: Memorial of Merchants' Association of New York, protesting against passage of House bill 18606, ship-purchase bill; to the Committee on the Merchant Marine and Fisheries.

Also, memorial of Central Bureau of Philadelphia (Pa.) Yearly Meeting of Friends, General Conference of the Religious Society of Friends, Philadelphia Pa., opposing legislation looking toward increased armaments; to the Committee on Military Affairs.

By Mr. LAZARO: Petition of R. E. Lee Camp, No. 14, United Confederate Veterans, Opelousas, La., relative to granting relief for southern cotton claims; to the Committee on War Claims.

By Mr. LONERGAN: Communications of Albert H. Richard, New Britain, Conn.; William Bonkosky, New Britain, Conn.; and C. Fred Johnson, Kensington, Conn., in re House joint resolution 377, House joint resolution 378, Senate bill 6688, and House bill 19548; to the Committee on Foreign Affairs.

By Mr. MOORE: Letters from the Volks-Verein, of Philadelphia, Pa.; Emil Schaefer, John Klein, J. J. Fehr, C. Soehnchen, Ernest Obermeyer, and other citizens of Philadelphia, urging the passage of House joint resolution 377; to the Committee on Foreign Affairs.

By Mr. MORIN (by request): Petition of German Evangelical Protestant Church and 8 citizens of Pittsburgh, Pa., favoring House joint resolution 377, forbidding export of arms; to the Committee on Foreign Affairs.

Also (by request), petition of N. P. Alifas, president District No. 44, International Association of Machinists, favoring House bill 17800, relative to the Taylor system of shop management; to the Committee on Labor.

Also (by request), petition of J. F. Callheath, secretary American Mining Congress, favoring House bill 15869, to better conditions among miners; to the Committee on Mines and Mining.

Also (by request), petition of M. H. MacCoy, of Philadelphia, Pa., favoring Palmer-Owen child-labor bill; to the Committee on Labor.

Also (by request), petition of the American Association for Labor Legislation, favoring House bill 15222, the Kern-McGillcuddy workmen's compensation bill; to the Committee on the Judiciary.

Also (by request), petition of the executive committee of the Association of American Agricultural Colleges and Experiment Stations, favoring Senate bill 5211, relative to military instruction in colleges; to the Committee on Military Affairs.

Also (by request), petition of the Retail Grocers' Protective Union of Pittsburgh, Pa., favoring House bill 13305, the Stevens standard-price bill; to the Committee on Interstate and Foreign Commerce.

By Mr. NEELY of West Virginia: Petition of G. W. Campbell and 11 others of Wheeling, W. Va., protesting against the Fitzgerald amendment to the Post Office appropriation bill; to the Committee on the Post Office and Post Roads.

Also (by request), petition of citizens of Harrison County, W. Va., urging Congress to bring about the United States of the World; to the Committee on Foreign Affairs.

By Mr. REILLY of Connecticut: Petition of citizens of Meriden, Conn., favoring House joint resolution 377, to forbid export of arms; to the Committee on Foreign Affairs.

By Mr. SCULLY: Petition of Polish National Alliance, of Perth Amboy, N. J., protesting against the passage of the immigration bill; to the Committee on Immigration and Naturalization.

By Mr. J. M. C. SMITH: Petition of Albert Towe and 193 citizens of Charlotte, Mich., favoring passage of resolution to prohibit export of war material; to the Committee on Foreign Affairs.

By Mr. STEPHENS of California: Petitions from 60 citizens of Los Angeles, Cal., favoring House joint resolution 344, creating a national marketing commission; to the Committee on Agriculture.

Also, copy of a letter from the Canadian Club, Los Angeles, Cal., to President Wilson, favoring export of war material; to the Committee on Foreign Affairs.

Also, petition signed by 15 citizens of Los Angeles, Cal., protesting against Fitzgerald amendment to Post Office appropriation bill; to the Committee on the Post Office and Post Roads.

Also, communication from British-American League, Los Angeles, Cal., reciting purposes of organization; to the Committee on Foreign Affairs.

By Mr. VOLLMER: Petitions of 2,527 American citizens, favoring passage of bills to prohibit the export of war material; to the Committee on Foreign Affairs.